

MEXICAN STOCK EXCHANGE

 STOCK EXCHANGE CODE: **AXTEL**

 QUARTER: **02** YEAR: **2011**
AXTEL, S.A.B. DE C.V.

BALANCE SHEETS

TO JUNE 30 OF 2011 AND 2010

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s01	TOTAL ASSETS	21,302,180	100	22,385,201	100
s02	CURRENT ASSETS	3,659,234	17	4,827,985	22
s03	CASH AND AVAILABLE INVESTMENTS	906,168	4	1,152,962	5
s04	ACCOUNTS AND NOTES RECEIVABLE (NET)	2,051,950	10	2,367,278	11
s05	OTHER ACCOUNTS AND NOTES RECEIVABLE (NET)	257,547	1	629,098	3
s06	INVENTORIES	152,666	1	155,441	1
s07	OTHER CURRENT ASSETS	290,903	1	523,206	2
s08	LONG-TERM	66,857	0	52,468	0
s09	ACCOUNTS AND NOTES RECEIVABLE (NET)	20,905	0	17,256	0
s10	INVESTMENTS IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	9,749	0	9,807	0
s11	OTHER INVESTMENTS	36,203	0	25,405	0
s12	PROPERTY, PLANT AND EQUIPMENT (NET)	15,413,889	72	15,336,075	69
s13	LAND AND BUILDINGS	430,990	2	430,990	2
s14	MACHINERY AND INDUSTRIAL EQUIPMENT	27,011,252	127	24,776,687	111
s15	OTHER EQUIPMENT	3,795,973	18	3,454,747	15
s16	ACCUMULATED DEPRECIATION	18,201,505	85	15,239,826	68
s17	CONSTRUCTION IN PROGRESS	2,377,179	11	1,913,477	9
s18	OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)	702,796	3	805,008	4
s19	OTHER ASSETS	1,459,404	7	1,363,665	6
s20	TOTAL LIABILITIES	13,632,431	100	14,411,166	100
s21	CURRENT LIABILITIES	4,160,683	31	4,170,174	29
s22	SUPPLIERS	2,269,704	17	2,438,425	17
s23	BANK LOANS	341,276	3	0	0
s24	STOCK MARKET LOANS	0	0	0	0
s103	OTHER LOANS WITH COST	266,418	2	692,261	5
s25	TAXES PAYABLE	101,685	1	120,569	1
s26	OTHER CURRENT LIABILITIES WITHOUT COST	1,181,600	9	918,919	6
s27	LONG-TERM LIABILITIES	9,303,274	68	10,085,571	70
s28	BANK LOANS	0	0	0	0
s29	STOCK MARKET LOANS	9,056,759	66	9,682,376	67
s30	OTHER LOANS WITH COST	246,515	2	403,195	3
s31	DEFERRED LIABILITIES	85,351	1	85,712	1
s32	OTHER NON CURRENT LIABILITIES WITHOUT COST	83,123	1	69,709	0
s33	CONSOLIDATED STOCKHOLDERS EQUITY	7,669,749	100	7,974,035	100
s34	COUNTABLE CAPITAL OF THE PARTICIPATION NOT CONTROLADORA	0	0	0	0
s35	COUNTABLE CAPITAL OF THE PARTICIPATION CONTROLADORA	7,669,749	100	7,974,035	100
s36	CONTRIBUTED CAPITAL	8,303,746	108	8,303,746	104
s79	CAPITAL STOCK	7,562,075	99	7,562,075	95
s39	PREMIUM ON ISSUANCE OF SHARES	741,671	10	741,671	9
s40	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0	0	0
s41	EARNED CAPITAL	-633,997	-8	-329,711	-4
s42	RETAINED EARNINGS AND CAPITAL RESERVES	-351,199	-5	-286,128	-4
s44	OTHER ACCUMULATED COMPREHENSIVE RESULT	-282,798	-4	-43,583	0
s80	SHARES REPURCHASED	0	0	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **02** YEAR: **2011**

BALANCE SHEETS

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s03	CASH AND AVAILABLE INVESTMENTS	906,168	100	1,152,962	100
s46	CASH	242,409	27	134,638	12
s47	AVAILABLE INVESTMENTS	663,759	73	1,018,324	88
s07	OTHER CURRENT ASSETS	290,903	100	523,206	100
s81	DERIVATIVE FINANCIAL INSTRUMENTS	181	0	191,713	37
s82	DISCONTINUED OPERATIONS	0	0	0	0
s83	OTHER	290,722	100	331,493	63
s18	OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)	702,796	100	805,008	100
s48	DEFERRED EXPENSES (NET)	702,796	100	805,008	100
s49	GOODWILL	0	0	0	0
s51	OTHER	0	0	0	0
s19	OTHER ASSETS	1,459,404	100	1,363,665	100
s85	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
s50	DEFERRED TAXES	1,336,947	92	1,234,866	91
s104	BENEFITS TO EMPLOYEES	0	0	0	0
s86	DISCONTINUED OPERATIONS	0	0	0	0
s87	OTHER	122,457	8	128,799	9
s21	CURRENT LIABILITIES	4,160,683	100	4,170,174	100
s52	FOREIGN CURRENCY LIABILITIES	1,359,226	33	1,866,025	45
s53	MEXICAN PESOS LIABILITIES	2,801,457	67	2,304,149	55
s26	OTHER CURRENT LIABILITIES WITHOUT COST	1,181,600	100	918,919	100
s88	DERIVATIVE FINANCIAL INSTRUMENTS	244,868	21	58,715	6
s89	INTEREST LIABILITIES	251,158	21	267,104	29
s68	PROVISIONS	0	0	0	0
s90	DISCONTINUED OPERATIONS	0	0	0	0
s58	OTHER CURRENT LIABILITIES	685,574	58	593,100	65
s105	BENEFITS TO EMPLOYEES	0	0	0	0
s27	LONG-TERM LIABILITIES	9,303,274	100	10,085,571	100
s59	FOREIGN CURRENCY LIABILITIES	9,198,881	99	9,940,065	99
s60	MEXICAN PESOS LIABILITIES	104,393	1	145,506	1
s31	DEFERRED LIABILITIES	85,351	100	85,712	100
s65	NEGATIVE GOODWILL	0	0	0	0
s67	OTHER	85,351	100	85,712	100
s32	OTHER NON CURRENT LIABILITIES WITHOUT COST	83,123	100	69,709	100
s66	DEFERRED TAXES	0	0	0	0
s91	OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE	83,123	100	69,709	100
s92	DISCONTINUED OPERATIONS	0	0	0	0
s69	OTHER LIABILITIES	0	0	0	0
s79	CAPITAL STOCK	7,562,075	100	7,562,075	100
s37	CAPITAL STOCK (NOMINAL)	6,625,536	88	6,625,536	88
s38	RESTATEMENT OF CAPITAL STOCK	936,539	12	936,539	12

MEXICAN STOCK EXCHANGE

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QUARTER: **02** YEAR: **2011**

BALANCE SHEETS

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s42	RETAINED EARNINGS AND CAPITAL RESERVES	-351,199	100	-286,128	100
s93	LEGAL RESERVE	0	0	0	0
s43	RESERVE FOR REPURCHASE OF SHARES	162,334	-46	162,334	-57
s94	OTHER RESERVES	0	0	0	0
s95	RETAINED EARNINGS	-559,955	159	-273,926	96
s45	NET INCOME FOR THE YEAR	46,422	-13	-174,536	61
s44	OTHER ACCUMULATED COMPREHENSIVE RESULT	-282,798	100	-43,583	100
s70	ACCUMULATED MONETARY RESULT	0	0	0	0
s71	RESULT FROM HOLDING NON-MONETARY ASSETS	0	0	0	0
s96	CUMULATIVE RESULT FROM FOREIGN CURRENCY TRANSLATION	0	0	0	0
s97	CUMULATIVE RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS	-282,798	100	-43,583	100
s98	CUMULATIVE EFFECT OF DEFERRED INCOME TAXES	0	0	0	0
s100	OTHER	0	0	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **02** YEAR: **2011**

BALANCE SHEETS

OTHER CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
s72	WORKING CAPITAL	-501,449	657,811
s73	PENSIONS AND SENIORITY PREMIUMS	0	0
s74	EXECUTIVES (*)	195	210
s75	EMPLOYEES (*)	6,125	6,499
s76	WORKERS (*)	1,570	1,471
s77	OUTSTANDING SHARES (*)	8,769,353,223	8,769,353,223
s78	REPURCHASED SHARES (*)	0	0
s101	RESTRICTED CASH	129,306	47,474
s102	DEBT OF NON CONSOLIDATED COMPANIES	0	0

(*) THESE CONCEPTS ARE STATED IN UNITS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **02** YEAR: **2011**

STATEMENTS OF INCOME

FROM JANUARY THE 1st TO JUNE 30 OF 2011 AND 2010

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
r01	NET SALES	5,347,867	100	5,228,918	100
r02	COST OF SALES	1,450,228	27	1,442,321	28
r03	GROSS PROFIT	3,897,639	73	3,786,597	72
r04	GENERAL EXPENSES	3,723,576	70	3,643,582	70
r05	INCOME (LOSS) FROM OPERATION	174,063	3	143,015	3
r08	OTHER INCOME AND (EXPENSE), NET	1,212	0	-47,138	0
r06	COMPREHENSIVE FINANCING RESULT	-85,970	-2	-298,222	-6
r12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	-59	0	6	0
r48	NON ORDINARY ITEMS	0	0	0	0
r09	INCOME BEFORE INCOME TAXES	89,246	2	-202,339	-4
r10	INCOME TAXES	42,824	1	-27,803	0
r11	INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS	46,422	1	-174,536	-3
r14	DISCONTINUED OPERATIONS	0	0	0	0
r18	NET CONSOLIDATED INCOME	46,422	1	-174,536	-3
r19	NET INCOME OF PARTICIPATION NOT CONTROLADORA	0	0	0	0
r20	NET INCOME OF PARTICIPATION CONTROLADORA	46,422	1	-174,536	-3

MEXICAN STOCK EXCHANGE

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QUARTER: **02** YEAR: **2011**

STATEMENTS OF INCOME

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
r01	NET SALES	5,347,867	100	5,228,918	100
r21	DOMESTIC	5,347,867	100	5,228,918	100
r22	FOREIGN	0	0	0	0
r23	TRANSLATED INTO DOLLARS (***)	0	0	0	0
r08	OTHER INCOME AND (EXPENSE), NET	1,212	100	-47,138	100
r49	OTHER INCOME AND (EXPENSE), NET	4,681	386	-48,406	103
r34	EMPLOYEES PROFIT SHARING EXPENSES	1,319	109	891	-2
r35	DEFERRED EMPLOYEES PROFIT SHARING	2,150	177	-2,159	5
r06	COMPREHENSIVE FINANCING RESULT	-85,970	100	-298,222	100
r24	INTEREST EXPENSE	480,961	-559	453,481	-152
r42	GAIN (LOSS) ON RESTATEMENT OF UDIS	0	0	0	0
r45	OTHER FINANCE COSTS	19,157	-22	72,618	-24
r26	INTEREST INCOME	12,762	-15	12,044	-4
r46	OTHER FINANCIAL PRODUCTS	0	0	0	0
r25	FOREIGN EXCHANGE GAIN (LOSS) (NET)	401,386	-467	215,833	-72
r28	RESULT FROM MONETARY POSITION	0	0	0	0
r10	INCOME TAXES	42,824	100	-27,803	100
r32	INCOME TAX	21,103	49	22,249	-80
r33	DEFERRED INCOME TAX	21,721	51	-50,052	180

(***) FIGURES IN THOUSANDS OF U.S. DOLLARS AT THE EXCHANGE RATE AS OF THE END OF THE LAST REPORTED QUARTER

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **02** YEAR: **2011**

STATEMENTS OF INCOME

OTHER CONCEPTS
 (Thousand Pesos)

CONSOLIDATED

Final Printing

REF R	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
r36	TOTAL SALES	5,347,867	5,228,918
r37	TAX RESULT FOR THE YEAR	0	0
r38	NET SALES (**)	10,770,910	10,657,340
r39	OPERATING INCOME (**)	271,833	532,409
r40	NET INCOME OF PARTICIPATION CONTROLADORA(**)	-65,071	-135,301
r41	NET CONSOLIDATED INCOME (**)	-65,071	-135,301
r47	OPERATIVE DEPRECIATION AND ACCUMULATED	1,580,693	1,456,040

(**) RESTATED INFORMATION OF THE LAST TWELVE MONTHS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL
 AXTEL, S.A.B. DE C.V.

QUARTER: 02 YEAR: 2011

QUARTERLY STATEMENTS OF INCOME

FROM APRIL 1 TO JUNE 30 OF 2011

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF RT	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
rt01	NET SALES	2,693,345	100	2,762,206	100
rt02	COST OF SALES	691,463	26	749,095	27
rt03	GROSS PROFIT	2,001,882	74	2,013,111	73
rt04	GENERAL EXPENSES	1,853,558	69	1,839,734	67
rt05	INCOME (LOSS) FROM OPERATION	148,324	6	173,377	6
rt08	OTHER INCOME AND (EXPENSE), NET	-23,996	0	-13,605	0
rt06	COMPREHENSIVE FINANCING RESULT	-148,440	-6	-423,215	-15
rt12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	-60	0	4	0
rt48	NON ORDINARY ITEMS	0	0	0	0
rt09	INCOME BEFORE INCOME TAXES	-24,172	0	-263,439	-10
rt10	INCOME TAXES	4,120	0	-43,040	-2
rt11	INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS	-28,292	-1	-220,399	-8
rt14	DISCONTINUED OPERATIONS	0	0	0	0
rt18	NET CONSOLIDATED INCOME	-28,292	-1	-220,399	-8
rt19	NET INCOME OF PARTICIPATION NOT CONTROLADORA	0	0	0	0
rt20	NET INCOME OF PARTICIPATION CONTROLADORA	-28,292	-1	-220,399	-8

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QUARTER: **02** YEAR: **2011**

QUARTERLY STATEMENTS OF INCOME

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF RT	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
rt0	NET SALES	2,693,345	100	2,762,206	100
rt21	DOMESTIC	2,693,345	100	2,762,206	100
rt22	FOREIGN	0	0	0	0
rt23	TRANSLATED INTO DOLLARS (***)	0	0	0	0
rt08	OTHER INCOME AND (EXPENSE), NET	-23,996	100	-13,605	100
rt49	OTHER INCOME AND (EXPENSE), NET	-23,141	96	-14,948	110
rt34	EMPLOYEES PROFIT SHARING EXPENSES	890	-4	157	-1
rt35	DEFERRED EMPLOYEES PROFIT SHARING	-35	0	-1,500	11
rt06	COMPREHENSIVE FINANCING RESULT	-148,440	100	-423,215	100
rt24	INTEREST EXPENSE	244,303	-165	251,267	-59
rt42	GAIN (LOSS) ON RESTATEMENT OF UDIS	0	0	0	0
rt45	OTHER FINANCE COSTS	14,624	-10	33,511	-8
rt26	INTEREST INCOME	4,461	-3	5,313	-1
rt46	OTHER FINANCIAL PRODUCTS	0	0	0	0
rt25	FOREIGN EXCHANGE GAIN (LOSS) (NET)	106,026	-71	-143,750	34
rt28	RESULT FROM MONETARY POSITION	0	0	0	0
rt10	INCOME TAXES	4,120	100	-43,040	100
rt32	INCOME TAX	9,949	241	-10,157	24
rt33	DEFERRED INCOME TAX	-5,829	-141	-32,883	76

(***) FIGURES IN THOUSANDS OF U.S. DOLLARS AT THE EXCHANGE RATE AS OF THE END OF THE LAST REPORTED QUARTER

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **02** YEAR: **2011**

QUARTERLY STATEMENTS OF INCOME

OTHER CONCEPTS
(Thousand Pesos)

CONSOLIDATED

Final Printing

REF RT	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
rt47	OPERATIVE DEPRECIATION AND ACCUMULATED IMPAIRMENT LOSSES	787,123	746,757

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **02**

YEAR: **2011**

AXTEL, S.A.B. DE C.V.

STATE OF CASH FLOW (INDIRECT METHOD)

Final Printing

MAIN CONCEPTS

(Thousand Pesos)

CONSOLIDATED

REF F	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
	ACTIVITIES OF OPERATION		
e01	INCOME (LOSS) BEFORE INCOME TAXES	89,246	-202,339
e02	+ (-)ITEMS NOT REQUIRING CASH	3,469	-1,268
e03	+ (-)ITEMS RELATED TO INVESTING ACTIVITIES	1,586,928	1,465,326
e04	+ (-)ITEMS RELATED TO FINANCING ACTIVITIES	497,000	533,153
e05	CASH FLOW BEFORE INCOME TAX	2,176,643	1,794,872
e06	CASH FLOW PROVIDED OR USED IN OPERATION	-316,641	-754,239
e07	NET CASH FLOWS PROVIDED OF OPERATING ACTIVITIES	1,860,002	1,040,633
	INVESTMENT ACTIVITIES		
e08	NET CASH FLOW FROM INVESTING ACTIVITIES	-1,248,714	-1,608,534
e09	FINANCING ACTIVITIES	611,288	-567,901
	FINANCING ACTIVITIES		
e10	NET CASH FROM FINANCING ACTIVITIES	-611,998	534,456
e11	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	-710	-33,445
e12	TRANSLATION DIFFERENCES IN CASH AND CASH EQUIVALENTS	-401,386	-215,833
e13	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	1,308,264	1,402,240
e14	CASH AND CASH EQUIVALENTS AT END OF PERIOD	906,168	1,152,962

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AXTEL, S.A.B. DE C.V.

STATE OF CASH FLOW (INDIRECT METHOD)

Final Printing

BREAKDOWN OF MAIN CONCEPTS

(Thousand Pesos)

CONSOLIDATED

REF F	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
e02	+ (-)ITEMS NOT REQUIRING CASH	3,469	-1,268
e15	+ESTIMATES FOR THE PERIOD	0	0
e16	+PROVISIONS FOR THE PERIOD	0	0
e17	+ (-)OTHER UNREALIZED ITEMS	3,469	-1,268
e03	+ (-)ITEMS RELATED TO INVESTING ACTIVITIES	1,586,928	1,465,326
e18	+ DEPRECIATION AND AMORTIZATION FOR THE PERIOD	1,580,693	1,456,040
e19	(-) +GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	6,176	9,292
e20	+IMPAIRMENT LOSS	0	0
e21	(-) +EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	59	-6
e22	(-)DIVIDENDS RECEIVED	0	0
e23	(-)INTEREST INCOME	0	0
e24	(-)+ OTHER ITEMS	0	0
e04	+ (-)ITEMS RELATED TO FINANCING ACTIVITIES	497,000	533,153
e25	+ACCRUED INTEREST	480,961	453,481
e26	+ (-) OTHER ITEMS	16,039	79,672
e06	CASH FLOW PROVIDED OR USED IN OPERATION	-316,641	-754,239
e27	+ (-)DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	188,583	-945,918
e28	+ (-)DECREASE (INCREASE) IN INVENTORIES	12,963	15,240
e29	+ (-)DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	123,314	-49,271
e30	+ (-)INCREASE (DECREASE) IN SUPPLIERS	-426,920	366,412
e31	+ (-)INCREASE (DECREASE) IN OTHER LIABILITIES	-174,705	-120,158
e32	+ (-) INCOME TAXES PAID OR RETURNED	-39,876	-20,544
e08	NET CASH FLOW FROM INVESTING ACTIVITIES	-1,248,714	-1,608,534
e33	-PERMANENT INVESTMENT IN SHARES	0	0
e34	+DISPOSITION OF PERMANENT INVESTMENT IN SHARES	0	0
e35	-INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	-1,243,503	-1,528,294
e36	+SALE OF PROPERTY, PLANT AND EQUIPMENT	0	0
e37	-INVESTMENT IN INTANGIBLE ASSETS	0	0
e38	+DISPOSITION OF INTANGIBLE ASSETS	0	0
e39	-OTHER PERMANENT INVESTMENTS	-1,670	-18,911
e40	+DISPOSITION OF OTHER PERMANENT INVESTMENTS	0	0
e41	+ DIVIDEND RECEIVED	0	0
e42	+INTEREST RECEIVED	0	0
e43	+ (-)DECREASE (INCREASE) ADVANCES AND LOANS TO THIRD PARTS	0	0
e44	+ (-)OTHER ITEMS	-3,541	-61,329
e10	NET CASH FROM FINANCING ACTIVITIES	-611,998	534,456
e45	+BANK FINANCING	72,000	408,634
e46	+STOCK MARKET FINANCING	0	2,369,851
e47	+OTHER FINANCING	0	0
e48	(-)BANK FINANCING AMORTIZATION	-10,725	-1,757,087
e49	(-)STOCK MARKET FINANCING AMORTIZATION	0	0
e50	(-)OTHER FINANCING AMORTIZATION	-167,673	-88,455
e51	+ (-)INCREASE (DECREASE) IN CAPITAL STOCK	0	0
e52	(-)DIVIDENDS PAID	0	0
e53	+PREMIUM ON ISSUANCE OF SHARES	0	0
e54	+CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
e55	-INTEREST EXPENSE	-466,682	-395,680
e56	-REPURCHASE OF SHARES	0	0
e57	+ (-)OTHER ITEMS	-38,918	-2,807

* IN CASE THAT THIS AMOUNT IS DIFFERENT FROM THE R47 ACCOUNT IT WILL HAVE TO EXPLAIN IN NOTES.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **02** YEAR: **2011**

DATA PER SHARE

CONSOLIDATED

Final Printing

REF D	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		AMOUNT	AMOUNT
d01	BASIC PROFIT PER ORDINARY SHARE (**)	\$ -0.01	\$ -0.02
d02	BASIC PROFIT PER PREFERRED SHARE (**)	\$ 0	\$ 0.00
d03	DILUTED PROFIT PER ORDINARY SHARE (**)	\$ 0	\$ 0.00
d04	EARNINGS (LOSS) BEFORE DISCONTINUED OPERATIONS PER COMMON SHARE (**)	\$ -0.01	\$ -0.02
d05	DISCONTINUED OPERATIONS EFFECT ON EARNING (LOSS) PER SHARE (**)	\$ 0	\$ 0.00
d08	CARRYING VALUE PER SHARE	\$ 0.87	\$ 0.91
d09	CASH DIVIDEND ACCUMULATED PER SHARE	\$ 0	\$ 0.00
d10	DIVIDEND IN SHARES PER SHARE	0 shares	0.00 shares
d11	MARKET PRICE TO CARRYING VALUE	1.06 times	1.21 times
d12	MARKET PRICE TO BASIC PROFIT PER ORDINARY SHARE (**)	92.57 times	55.07 times
d13	MARKET PRICE TO BASIC PROFIT PER PREFERENT SHARE (**)	0 times	0.00 times

(**) TO CALCULATE THE DATA PER SHARE USE THE NET INCOME FOR THE LAST TWELVE MONTHS.

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REF P	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
	YIELD				
p01	NET CONSOLIDATED INCOME TO NET SALES	0.87	%	-3.34	%
p02	NET CONSOLIDATED INCOME TO STOCKHOLDERS EQUITY (**)	-0.85	%	-1.70	%
p03	NET INCOME TO TOTAL ASSETS (**)	-0.31	%	-0.60	%
p04	CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME	0	%	0.00	%
p05	RESULT FROM MONETARY POSITION TO NET CONSOLIDATED INCOME	0.00	%	-0.00	%
	ACTIVITY				
p06	NET SALES TO NET ASSETS (**)	0.51	times	0.48	times
p07	NET SALES TO PROPERTY, PLANT AND EQUIPMENT (NET) (**)	0.70	times	0.69	times
p08	INVENTORIES TURNOVER (**)	19.41	times	18.53	times
p09	ACCOUNTS RECEIVABLE IN DAYS OF SALES	60	days	70	days
p10	PAID INTEREST TO TOTAL LIABILITIES WITH COST (**)	9.66	%	9.24	%
	LEVERAGE				
p11	TOTAL LIABILITIES TO TOTAL ASSETS	64.00	%	64.38	%
p12	TOTAL LIABILITIES TO STOCKHOLDERS EQUITY	1.78	times	1.81	times
p13	FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES	77.45	%	81.92	%
p14	LONG-TERM LIABILITIES TO PROPERTY, PLANT AND EQUIPMENT (NET)	60.36	%	65.76	%
p15	INCOME (LOSS) AFTER GENERAL EXPENSES TO INTEREST PAID	0.36	times	0.32	times
p16	NET SALES TO TOTAL LIABILITIES (**)	0.79	times	0.74	times
	LIQUIDITY				
p17	CURRENT ASSETS TO CURRENT LIABILITIES	0.88	times	1.16	times
p18	CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES	0.84	times	1.12	times
p19	CURRENT ASSETS TO TOTAL LIABILITIES	0.27	times	0.34	times
p20	CASH AND SHORT-TERM INVESTMENTS TO CURRENT LIABILITIES	21.78	%	27.65	%

(**) IN THESE RATIOS FOR THE DATA TAKE INTO CONSIDERATION THE LAST TWELVE MONTHS.

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SAN PEDRO GARZA GARCIA, MEXICO, JULY 27, 2011 - AXTEL, S.A.B. DE C.V. ("AXTEL" OR "THE COMPANY"), A LEADING MEXICAN FIXED-LINE INTEGRATED TELECOMMUNICATIONS COMPANY, ANNOUNCED TODAY ITS UNAUDITED SECOND QUARTER RESULTS ENDED JUNE 30, 2011(1)

FOR ADDITIONAL INFORMATION, PLEASE CONTACT ADRIAN DE LOS SANTOS, INVESTOR RELATIONS OFFICER AND CORPORATE FINANCE DIRECTOR AT IR@AXTEL.COM.MX

HIGHLIGHTS:

DURING THE QUARTER, THE COMPANY REPORTED IMPORTANT COST SAVINGS RELATED TO LOWER LONG-DISTANCE TERMINATION RATES RESOLVED BY COFETEL. THESE LOWER RATES ARE POSITIVE ACTIONS FROM REGULATORS AND REFLECT AXTEL'S LONG-TIME EFFORTS TO PROMOTE A LEVEL PLAYING FIELD IN THE INDUSTRY.

THE PRODUCTIVITY INITIATIVE IMPLEMENTED BY AXTEL IN 2011 CONTINUES TO REFLECT POSITIVE RESULTS, AS THIS QUARTER'S CAPEX DECLINED 40% YEAR-OVER-YEAR, AND OPERATING EXPENSES DECLINED 8% COMPARED TO FOURTH-QUARTER 2010.

BROADBAND SUBSCRIBERS, AN IMPORTANT DRIVER OF MASS-MARKET REVENUES, CONTINUE TO GROW WELL-ABOVE INDUSTRY LEVELS. THE COMPANY REPORTED 25 THOUSAND NET ADDITIONS THIS QUARTER.

REVENUES FROM OPERATIONS

REVENUES FROM OPERATIONS TOTALED PS. 2,693 MILLION IN THE SECOND QUARTER OF YEAR 2011 FROM PS. 2,762 MILLION FOR THE SAME PERIOD IN 2010, A DECREASE OF PS. 69 MILLION, OR 2%.

REVENUES FROM OPERATIONS TOTALED PS. 10,771 MILLION IN THE TWELVE-MONTH PERIOD ENDED JUNE 30, 2011, COMPARED TO PS. 10,657 MILLION IN THE SAME PERIOD IN 2010, AN INCREASE OF PS. 114 MILLION, OR 1%.

SOURCES OF REVENUES

IMPORTANT DISCLOSURE. UNLESS OTHERWISE STATED, COMMENTS IN THIS SECTION EXCLUDE REVENUES GENERATED BY OUR LARGEST WHOLESALE CUSTOMER (SEE NOTE 9 FOR FURTHER INFORMATION).

LOCAL SERVICES. LOCAL SERVICE REVENUES TOTALED PS. 954 MILLION IN THE SECOND QUARTER OF 2011, COMPARED TO PS. 982 MILLION FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 29 MILLION OR 3%. THIS IS EXPLAINED BY PS. 23 AND PS. 28 MILLION DECREASES IN MEASURED SERVICES AND CELLULAR REVENUES, RESPECTIVELY, COMPENSATED BY A PS. 22 MILLION INCREASE IN MONTHLY RENTS. AS COMMERCIAL OFFERS INCLUDING FREE LOCAL CALLS AND FIXED-TO-MOBILE MINUTES AT ATTRACTIVE PRICES CONTINUE GROWING, BILLED TRAFFIC WILL CONTINUE TRANSITIONING INTO MONTHLY RENTS. PRICES FOR CELLULAR TRAFFIC BILLED OUTSIDE MODULES DECLINED 3% IN THE SECOND QUARTER 2011 COMPARED TO THE SAME PERIOD IN 2010. REVENUES COMING FROM MONTHLY RENTS REPRESENTED 73% OF LOCAL REVENUES DURING THE THREE-MONTH PERIOD ENDED JUNE 30, 2011. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, LOCAL REVENUES TOTALED PS. 3,866 MILLION, COMPARED TO PS. 3,909 MILLION REGISTERED IN THE SAME PERIOD IN 2010, A MARGINAL DECREASE OF PS. 43 MILLION OR 1%.

LONG DISTANCE SERVICES. REVENUES TOTALED PS. 296 MILLION IN THE SECOND QUARTER OF 2011, COMPARED TO PS. 277 MILLION FOR SAME PERIOD IN 2010, REPRESENTING AN INCREASE OF PS. 19 MILLION, OR 7%. THIS IS EXPLAINED BY A 4% INCREASE IN BILLED-TRAFFIC VOLUME YEAR-OVER-YEAR (MOSTLY BUSINESS CUSTOMERS) AND A 3% INCREASE IN BILLED-TRAFFIC PRICES. FOR THE

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FULL-YEAR 2011, LONG DISTANCE REVENUES TOTALED PS. 1,171 MILLION COMPARED TO PS. 1,109 MILLION REGISTERED IN 2010, A PS. 62 MILLION, OR 6%, INCREASE.

DATA & NETWORK. DATA AND NETWORK REVENUES AMOUNTED TO PS. 626 MILLION IN THE SECOND QUARTER OF 2011, COMPARED TO PS. 613 MILLION IN THE SAME PERIOD IN 2010, AN INCREASE OF PS. 13 MILLION OR 2%, DRIVEN BY MASS-MARKET, OR, "ON-DEMAND" INTERNET SERVICES REVENUES THAT INCREASED PS. 48 MILLION YEAR-OVER-YEAR WHILE DEDICATED INTERNET AND VPN SERVICES TO BUSINESS CUSTOMERS DECLINED PS. 35 MILLION OR 7% AFFECTED BY LOWER PRICES AND OUR INABILITY TO ACCESS LEASED LINKS FROM THE INCUMBENT DURING THE SECOND QUARTER OF 2011. DEDICATED INTERNET AND VPNS REPRESENTED 80% OF DATA & NETWORK REVENUES DURING THE QUARTER. DURING 2011, DATA AND NETWORK SERVICES REVENUES TOTALED PS. 2,558 MILLION FROM PS. 2,393 MILLION REGISTERED IN 2010, AN INCREASE OF PS. 165 MILLION, OR 7%.

INTERNATIONAL TRAFFIC. IN THE SECOND QUARTER OF 2011, INTERNATIONAL TRAFFIC REVENUES TOTALED PS. 286 MILLION, A DECREASE OF PS. 37 MILLION OR 13% VERSUS SAME QUARTER OF PREVIOUS YEAR, EXPLAINED BY A 3% DECLINE IN TRAFFIC VOLUME AND A 9% REDUCTION IN PRICES - LOWER PRICES PARTIALLY AFFECTED BY A 7% APPRECIATION OF THE AVERAGE MXN PESO AGAINST THE US DOLLAR. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, REVENUES FROM INTERNATIONAL TRAFFIC TOTALED PS. 1,169 MILLION FROM PS. 1,277 MILLION, A DECREASE OF 8% COMPARED TO THE SAME PERIOD IN 2010. THIS IS MOSTLY EXPLAINED BY A DECREASE IN PRICE INFLUENCED BY A STRONGER MEXICAN PESO VIS-À-VIS THE US DOLLAR.

OTHER SERVICES. QUARTERLY REVENUES FROM OTHER SERVICES marginally decreased PS. 2 MILLION, EXPLAINED BY A PS. 23 MILLION CONTRACTION IN REVENUES FROM INTEGRATED SERVICES CONTRACTS COMPENSATED BY AN INCREASE IN EQUIPMENT SALES TO ENTERPRISE CUSTOMERS. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, REVENUES FOR OTHER SERVICES TOTALED PS. 1,403 MILLION FROM PS. 1,287 MILLION REGISTERED IN 2010, AN INCREASE OF PS. 116 MILLION, OR 9%.

CONSUMPTION

LOCAL CALLS. LOCAL CALLS EXCLUDING OUR LARGEST WHOLESALE CUSTOMER TOTALED 471 MILLION CALLS IN THE SECOND QUARTER OF 2011, COMPARED TO 460 MILLION CALLS FOR SAME PERIOD IN 2010, REPRESENTING AN INCREASE OF PS. 11 MILLION CALLS, OR 2%. BILLED LOCAL CALLS DECREASED 13 MILLION WHILE LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS INCREASED 24 MILLION. LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS REPRESENTED 78% OF TOTAL CALLS IN THE SECOND QUARTER OF 2011. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, LOCAL CALLS TOTALED 1,922 MILLION EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, COMPARED TO 1,754 MILLION REGISTERED IN THE SAME PERIOD IN 2010, AN INCREASE OF 168 MILLION CALLS, OR 10%.

CELLULAR ("CALLING PARTY PAYS"). MINUTES OF USE OF CALLS COMPLETED TO A CELLULAR LINE EXCLUDING OUR LARGEST WHOLESALE CUSTOMER AMOUNTED TO 155 MILLION IN THE THREE-MONTH PERIOD ENDED JUNE 30, 2011, COMPARED TO 163 MILLION IN THE SAME PERIOD IN 2010, A DECREASE OF 5% EQUIVALENT TO 8 MILLION MINUTES. BILLED CELLULAR MINUTES REPRESENTED 76% OF CELLULAR MINUTES IN THE SECOND QUARTER OF 2011. FOR THE YEAR 2011 AND EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, CELLULAR MINUTES INCREASED 39 MILLION, OR 7%, FROM 605 MILLION REGISTERED IN THE TWELVE-MONTH PERIOD ENDED JUNE 30, 2010, TO 645 MILLION IN 2011.

LONG DISTANCE. EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, WHICH REPRESENTS 5% OF TOTAL VOLUME, OUTGOING LONG DISTANCE MINUTES AMOUNTED TO 482 MILLION FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2011 FROM 450 MILLION IN THE SAME PERIOD IN 2010, A 7% OR 31 MILLION MINUTE INCREASE, RESULTING FROM INCREASED TRAFFIC OF EXISTING BUSINESS AND RESIDENTIAL CUSTOMERS. BILLED LONG DISTANCE MINUTES INCREASED 13 MILLION, OR 4%, DURING THE SECOND QUARTER OF 2011 COMPARED TO THE SAME PERIOD IN 2010. DOMESTIC LONG DISTANCE

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MINUTES REPRESENTED 95% OF TOTAL TRAFFIC DURING THE QUARTER. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011 AND EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, OUTGOING LONG DISTANCE MINUTES AMOUNTED 1,883 MILLION, COMPARED TO 1,734 MILLION REGISTERED IN 2010, AN INCREASE OF 149 MILLION OF MINUTES, OR 9%, EXPLAINED BY THE EXISTING BUSINESS CUSTOMERS INCREASED TRAFFIC AND FURTHER PENETRATION OF MASS-MARKET OFFERS INCLUDING NATIONAL AND INTERNATIONAL LONG DISTANCE MINUTES WITHIN A MONTHLY RENT.

OPERATING DATA

RGUS AND CUSTOMERS. AS OF JUNE 30, 2011, RGUS (REVENUE GENERATING UNITS) TOTALED 1,416 THOUSAND, AN INCREASE OF 15% OR 185 THOUSAND FROM THE SAME DATE IN 2010. DURING THE SECOND QUARTER OF 2011, NET ADDITIONAL RGUS TOTALED 24 THOUSAND, COMPARED TO 62 THOUSAND IN THE SECOND QUARTER OF 2010, INFLUENCED BY THE COMPANY'S STRATEGY TO FOCUS ON HIGH-VALUE CUSTOMERS. AS OF JUNE 30, 2011, TOTAL CUSTOMERS TOTALED 758 THOUSAND, AN INCREASE OF 4% OR 31 THOUSAND FROM THE SAME DATE IN 2010. CUSTOMER ADDITIONS DECLINED 2 THOUSAND IN THE QUARTER.

VOICE RGUS (LINES IN SERVICE). AS OF JUNE 30, 2011, LINES IN SERVICE TOTALED 1,040 THOUSAND, AN INCREASE OF 3% OR 31 THOUSAND FROM THE SAME DATE IN 2010. DURING THE SECOND QUARTER OF 2011, GROSS ADDITIONAL LINES TOTALED 66 THOUSAND COMPARED TO 87 THOUSAND IN THE SECOND QUARTER OF 2010. DISCONNECTIONS IN THE SECOND QUARTER OF 2011 TOTALED 67 THOUSAND, COMPARED TO 61 THOUSAND IN THE YEAR-EARLIER QUARTER. NET-ADDS IN THE SECOND QUARTER OF 2011 RESULTED IN -2 THOUSAND, COMPARED TO 22 THOUSAND NET-ADDS IN THE SAME PERIOD OF 2010. AS OF JUNE 30, 2011, RESIDENTIAL LINES REPRESENTED 69% OF TOTAL LINES IN SERVICE.

BROADBAND RGUS (BROADBAND SUBSCRIBERS). BROADBAND SUBSCRIBERS INCREASED 69% YEAR-OVER-YEAR TOTALING 377 THOUSAND SUBS AS OF JUNE 30, 2011. DURING THE SECOND QUARTER OF 2011, BROADBAND SUBSCRIBERS INCREASED 25 THOUSAND COMPARED TO 36 THOUSAND IN THE SAME PERIOD OF 2010. CONTINUED POSITIVE RESPONSE FROM CUSTOMERS TO AXTEL'S "ACCESO UNIVERSAL" AND "AXTEL X-TREMO" SERVICES, OUR MARKETING EFFORTS, HIGHLY COMPETITIVE COMMERCIAL OFFERS AND THE RELIABILITY OF OUR NETWORK CONTRIBUTED TO INCREASE THE NUMBER OF BROADBAND SUBS IN THE SECOND QUARTER. BROADBAND PENETRATION REACHED 36% AT THE END OF THE SECOND QUARTER OF 2011, COMPARED TO 22% A YEAR AGO. AS OF THE END OF JUNE 2011, WIMAX BROADBAND SUBS REACHED 332 THOUSAND, COMPARED TO 182 THOUSAND A YEAR AGO, WHILE AXTEL X-TREMO, OR FTTH, SUBS TOTALED 18 THOUSAND.

INTERNET SUBSCRIBERS. AS OF JUNE 30, 2011, INTERNET SUBSCRIBERS TOTALED 385 THOUSAND, INCLUDING 8 THOUSAND DIAL-UP SUBSCRIBERS. AS OF JUNE 30, 2010, INTERNET SUBSCRIBERS REPRESENTED 235 THOUSAND, INCLUDING 12 THOUSAND DIAL-UP SUBS.

LINE EQUIVALENTS (E0 EQUIVALENTS). WE OFFER FROM 64 KILOBYTES PER SECOND ("KBPS") UP TO 100 MEGABYTES PER SECOND ("MBPS") DEDICATED DATA LINKS IN ALL OF OUR THIRTY-NINE EXISTING CITIES. WE ACCOUNT FOR DATA LINKS BY CONVERTING THEM TO E0 EQUIVALENTS IN ORDER TO STANDARDIZE OUR COMPARISONS VERSUS THE INDUSTRY. AS OF JUNE 30, 2011, LINE EQUIVALENTS TOTALED 453 THOUSAND.

COST OF REVENUES AND OPERATING EXPENSES

COST OF REVENUES. FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2011, THE COST OF REVENUES REPRESENTED PS. 691 MILLION, A DECREASE OF PS. 58 MILLION, COMPARED WITH THE SAME PERIOD OF YEAR 2010, MOSTLY RELATED TO A DECREASE IN DOMESTIC LONG-DISTANCE TERMINATION RATES, WHICH POSITIVELY AFFECTED THE COST OF BOTH, INBOUND INTERNATIONAL AND DOMESTIC LONG DISTANCE TRAFFIC. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, COST OF REVENUES REACHED PS. 2,963 MILLION, AN INCREASE OF PS. 83 MILLION IN COMPARISON WITH YEAR 2010, DUE PRIMARILY TO AN INCREASE IN FIXED-TO-MOBILE TERMINATION (+15% INCREASE

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IN VOLUME) COMPENSATED BY A DECLINE IN LONG-DISTANCE TERMINATION COSTS.

GROSS PROFIT. GROSS PROFIT IS DEFINED AS REVENUES MINUS COST OF REVENUES. FOR THE SECOND QUARTER OF 2011, THE GROSS PROFIT ACCOUNTED FOR PS. 2,002 MILLION, A DECREASE OF PS. 11 MILLION COMPARED WITH THE SAME PERIOD IN YEAR 2010. THE GROSS PROFIT MARGIN INCREASED FROM 72.9% TO 74.3% YEAR-OVER-YEAR, INFLUENCED BY THE REDUCTION IN LONG-DISTANCE TERMINATION COSTS. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, OUR GROSS PROFIT TOTALED PS. 7,808 MILLION, COMPARED TO PS. 7,777 MILLION RECORDED IN YEAR 2010, AN INCREASE OF PS. 31 MILLION.

OPERATING EXPENSES. IN THE SECOND QUARTER OF YEAR 2011, OPERATING EXPENSES TOTALED PS. 1,066 MILLION, 2% LOWER THAN THE PS. 1,093 MILLION RECORDED IN THE SAME PERIOD IN YEAR 2010. THIS IS MAINLY EXPLAINED BY REDUCTIONS IN ADVERTISING, PERSONNEL AND OUTSOURCING EXPENSES. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011, OPERATING EXPENSES TOTALED PS. 4,424 MILLION, COMING FROM PS. 4,301 MILLION IN THE SAME PERIOD IN 2010. PERSONNEL REPRESENTED 45% OF TOTAL OPERATING EXPENSES IN THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011.

ADJUSTED EBITDA, D&A AND OPERATING INCOME

ADJUSTED EBITDA(5). THE ADJUSTED EBITDA TOTALED PS. 935 MILLION FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2011, COMPARED TO PS. 920 MILLION FOR THE SAME PERIOD IN 2010. AS A PERCENTAGE OF TOTAL REVENUES, ADJUSTED EBITDA REPRESENTED 34.7% IN THE SECOND QUARTER OF 2011, 142 BPS HIGHER THAN THE MARGIN RECORDED IN THE YEAR-EARLIER QUARTER. FOR THE TWELVE-MONTH PERIOD ENDED JUNE 30, 2011, ADJUSTED EBITDA AMOUNTED TO PS. 3,383 MILLION, COMPARED TO PS. 3,476 MILLION IN YEAR 2010.

DEPRECIATION AND AMORTIZATION(10). DEPRECIATION AND AMORTIZATION TOTALED PS. 787 MILLION IN THE THREE-MONTH PERIOD ENDING ON JUNE 30, 2011 COMPARED TO PS. 747 MILLION FOR THE SAME PERIOD IN YEAR 2010, A INCREASE OF PS. 40 MILLION, OR 5%, REFLECTING 3% HIGHER CAPITAL EXPENDITURES MADE IN THE TWELVE-MONTH PERIOD ENDING ON JUNE 30, 2011 COMPARED TO INVESTMENTS MADE IN THE SAME PERIOD IN THE SAME YEAR 2010 PERIOD. DEPRECIATION AND AMORTIZATION FOR THE TWELVE-MONTH PERIOD ENDED JUNE 30, 2011 REACHED PS. 3,112 MILLION, FROM PS. 2,944 MILLION IN THE SAME PERIOD IN YEAR 2010, AN INCREASE OF PS. 168 MILLION, OR 6%.

OPERATING INCOME (LOSS). IN THE THREE-MONTH PERIOD ENDED JUNE 30, 2011, THE COMPANY RECORDED AN OPERATING INCOME OF PS. 148 MILLION COMPARED TO AN OPERATING INCOME OF PS. 173 MILLION REGISTERED IN THE SAME PERIOD IN YEAR 2010. FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2011 OUR OPERATING INCOME REACHED PS. 272 MILLION WHEN COMPARED TO THE RESULT REGISTERED IN THE SAME PERIOD OF YEAR 2010 OF PS. 532 MILLION, A DECLINE OF PS. 260 MILLION.

CFR, INDEBTEDNESS, CASH, INVESTMENTS AND DERIVATIVE INSTRUMENTS

COMPREHENSIVE FINANCIAL RESULT. NET INTEREST EXPENSE FOR THE SECOND QUARTER 2011 DECREASED PS. 6 MILLION, OR 2%, VIS-À-VIS SECOND QUARTER 2010. DURING THE SECOND QUARTER 2011, A PESO APPRECIATION AGAINST THE U.S. DOLLAR OF 1% GENERATED A PS. 106 MILLION FX GAIN, COMPARED TO A FX LOSS OF PS. 144 MILLION RECORDED IN THE SECOND QUARTER OF 2010 (GENERATED BY A 2% PESO DEPRECIATION). VARIATIONS IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS ARE PARTIALLY EXPLAINED BY 7% AND 18% DECLINES IN THE PRICE OF AXTELCPO DURING THE SECOND QUARTERS OF 2011 AND 2010, RESPECTIVELY, WHICH AFFECTED THE VALUATION OF AXTEL'S POSITION HELD IN ITS OWN STOCK THROUGH THE ZERO-STRIKE-CALLS INSTRUMENTS. THE PS. 359 MILLION COMPREHENSIVE FINANCIAL LOSS FOR YEAR ENDED IN JUNE 2011, COMPARED TO A PS. 497 MILLION COMPREHENSIVE FINANCIAL LOSS FOR YEAR ENDED IN JUNE 2010, IS MAINLY EXPLAINED BY THE LARGER APPRECIATION OF THE MEXICAN PESO AGAINST THE U.

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S. DOLLAR IN THE 2010 PERIOD, AS WELL AS BY A 8% INCREASE IN THE PRICE OF AXTELCPO IN THE 2010 PERIOD COMPARED TO A 16% DECREASE IN THE 2011 PERIOD.

DEBT. DURING THE SECOND QUARTER OF 2011, TOTAL DEBT DECREASED PS. 179 MILLION, EXPLAINED BY (I) A NET REDUCTION OF US\$1 MILLION IN OTHER FINANCIAL OBLIGATIONS, (II) A NET REDUCTION OF PS. 50 MILLION IN FINANCIAL LEASES AND (III) AN PS. 11 MILLION DECREASE IN COMMITTED BANK FACILITIES. THE 1% APPRECIATION OF THE MEXICAN PESO AGAINST THE US DOLLAR ALSO CONTRIBUTED TO REDUCE THE PESO VALUE OF DOLLAR-DENOMINATED DEBT.

CASH. AS OF THE END OF THE SECOND QUARTER OF 2011, OUR CASH AND EQUIVALENTS BALANCE TOTALED PS. 906 MILLION, COMPARED TO PS. 1,153 MILLION A YEAR AGO. FORTY-SEVEN PERCENT OF THE CASH BALANCE IS MAINTAINED IN DOLLARS, THE REST IN PESOS.

CAPITAL INVESTMENTS. IN THE SECOND QUARTER OF 2011, CAPITAL INVESTMENTS TOTALED PS. 511 MILLION, OR US\$43 MILLION, COMPARED TO PS. 852 MILLION, OR US\$67 MILLION, IN THE YEAR-EARLIER QUARTER. ACCUMULATED FOR THE TWELVE-MONTH PERIOD ENDED JUNE 30, 2011, CAPITAL INVESTMENTS TOTALED PS. 3,076 MILLION, COMPARED TO PS. 2,974 MILLION IN YEAR 2010. ACCESS REPRESENTED CLOSE TO 60% OF THIS FIGURE.

OTHER INVESTMENTS. AS OF JUNE 30, 2011, THE COMPANY MAINTAINED AN ECONOMIC POSITION EQUIVALENT TO 30.4 MILLION AXTELCPOS IN ZSC.

DERIVATIVE INSTRUMENTS. THE FOLLOWING TABLE SUMMARIZES THE COMPANY'S DERIVATIVES POSITION AS OF JUNE 30, 2011.

	AXTEL RECEIVES	AXTEL PAYS	OTHER
INTEREST-ONLY CROSS-CURRENCY SWAP (MXN/US\$)			
NOTIONAL	US\$275 MILLION	PS. 3,039 MILLION	
INTEREST	7.63% SEMI-ANNUAL	8.43% SEMI-ANNUAL	
PRINCIPAL PAYMENTS	N.A.	N.A.	
DATES			FEB. 2010 - FEB. 2012
ESTIMATED FAIR VALUE			PS. (7.6) MILLION

INTEREST-ONLY CROSS-CURRENCY SWAP (MXN/US\$)			
NOTIONAL	US\$275 MILLION	PS. 3,408 MILLION	
INTEREST	7.63% SEMI-ANNUAL	8.27% SEMI-ANNUAL	
PRINCIPAL PAYMENTS	N.A.	N.A.	
EXPIRATION DATE			AUG. 2012 - AUG. 2014
ESTIMATED FAIR VALUE			PS. (37.9) MILLION

INTEREST-ONLY CROSS-CURRENCY SWAP (MXN/US\$)			
NOTIONAL	US\$490 MILLION	PS. 6,321 MILLION	
INTEREST	9.0% SEMI-ANNUAL	9.60% SEMI-ANNUAL (AVG.)	
PRINCIPAL PAYMENTS	N.A.	N.A.	
EXPIRATION DATE			SEPT. 2014
ESTIMATED FAIR VALUE			PS. (199.4) MILLION

ZERO-STRIKE EQUITY CALL OPTION

NOTIONAL	30.4 MILLION AXTELCPO	STRIKE PRICE:	
VALUE	30.4 MILLION	¢1 PER CPO	
	AXTELCPO TIMES		

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CPO'S MARKET
PRICE

IN CASH
JULY 2011
PS. 197.0 MILLION

SETTLEMENT
EXPIRATION DATE
VALUATION

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2011 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2010

ASSETS

AS OF JUNE 30, 2011, TOTAL ASSETS SUM PS.21,302 MILLION COMPARED TO PS. 22,385MILLION AS OF JUNE 30,2009, A DECLINE OF PS.1,083 MILLION.

CASH AND EQUIVALENTS. AS OF JUNE 30, 2011, WE HAD CASH AND CASH EQUIVALENTS OF PS.906 MILLION COMPARED TO PS.1,153MILLION IN THE SAME DATE OF YEAR 2010, A DECREASE OF PS.247 MILLION OR 27%.

ACCOUNTS RECEIVABLE. AS OF JUNE 30, 2011, THE ACCOUNTS RECEIVABLE WERE PS. 2,052 MILLION COMPARED WITH PS.2,367MILLION IN THE SAME DATE OF 2010, A DECLINE OF PS.315 MILLION.

PROPERTY, PLANT AND EQUIPMENT, NET. AS OF JUNE 30, 2011, THE NET OF DEPRECIATION VALUE OF PROPERTY, PLANT AND EQUIPMENT WAS PS.15,414 MILLION COMPARED WITH PS.15,366 MILLION AS OF JUNE 30, 2010, AN INCREASE OF PS.48MILLION. THE PROPERTY, PLANT AND EQUIPMENT WITHOUT ADJUSTING FOR THE ACCUMULATED DEPRECIATION, WAS PS. 33,615 MILLION AND PS. 30,576 MILLION AS OF JUNE 30, 2011 AND JUNE 30, 2010, RESPECTIVELY. THE INCREASE IN PROPERTY, PLANT AND EQUIPMENT IS DUE TO A HIGHER INVESTMENT DURING THIS PERIOD.

LIABILITIES

TOTAL LIABILITIES WERE PS.13,632 MILLION AS OF JUNE 30, 2011 COMPARED TO PS. 14,411 MILLION AS OF JUNE 30, 2010, A DECREASE OF PS.779 MILLION OR 6%.

ACCOUNTS PAYABLE & ACCRUED EXPENSES. ON JUNE 30, 2011, THE ACCOUNTS PAYABLE AND ACCRUED EXPENSES WERE PS.2,270 MILLION COMPARED WITH PS. 2,438 MILLION ON JUNE 30, 2010, A DECREASE OF PS.169 MILLION OR 7%.

STOCKHOLDERS EQUITY

ON JUNE 30, 2011, THE STOCKHOLDERS EQUITY OF THE COMPANY WAS PS.7,700 MILLION COMPARED WITH PS. 7,974 MILLION AS OF JUNE 30, 2010, A DECREASE OF PS.274 MILLION, OR 4%. THE CAPITAL STOCK REMAINED UNCHANGED AT PS.7,562 MILLION AS OF JUNE 30, 2011 AND 2010.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICALLY WE HAVE RELIED PRIMARILY ON VENDOR FINANCING, THE PROCEEDS OF THE SALE OF SECURITIES, INTERNAL CASH FROM OPERATIONS AND THE PROCEEDS FROM BANK DEBT TO FUND OUR OPERATIONS, CAPITAL EXPENDITURES AND WORKING CAPITAL REQUIREMENTS. ALTHOUGH WE BELIEVE THAT WE WOULD BE ABLE TO MEET OUR DEBT SERVICE OBLIGATIONS AND FUND OUR OPERATING REQUIREMENTS IN THE FUTURE WITH CASH FLOW FROM OPERATIONS, WE MAY SEEK ADDITIONAL FINANCING WITH COMMERCIAL BANKS OR IN THE CAPITAL MARKETS FROM TIME TO TIME DEPENDING ON MARKET CONDITIONS AND OUR FINANCIAL REQUIREMENTS. WE WILL CONTINUE TO FOCUS ON INVESTMENTS IN PROPERTY, SYSTEMS AND INFRASTRUCTURE AND WORKING CAPITAL MANAGEMENT, INCLUDING THE COLLECTION OF ACCOUNTS RECEIVABLE AND MANAGEMENT OF ACCOUNTS PAYABLE.

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CASHFLOW STATEMENT

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2011 COMPARED WITH THE THREE-MONTH PERIOD ENDED JUNE 30, 2010

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS.785 MILLION FOR THE THREE-MONTH PERIOD ENDED ON JUNE 30, 2011 COMPARED TO PS.602 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010.

NET RESOURCES USED IN INVESTING ACTIVITIES WERE PS. (514) MILLION FOR THE THREE-MONTH PERIOD ENDED ON JUNE 30, 2011 COMPARED TO PS. (890) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS. (511) MILLION AND PS. (852) MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS. (118)MILLION AND PS. (136) MILLION FOR THE THREE-MONTH PERIODS ENDED ON JUNE 30, 2011 AND 2010, RESPECTIVELY.

AS OF JUNE 30, 2011, THE RATIO OF NET DEBT TO ADJUSTED EBITDA AND THE RATIO OF INTEREST COVERAGE OF THE COMPANY WAS PLACING IN 2.67X AND 3.65X, RESPECTIVELY. AS JUNE 30, 2010 THE RATIO OF NET DEBT TO ADJUSTED EBITDA AND INTEREST COVERAGE, WAS 2.70X AND 3.53X, RESPECTIVELY.

SINCE THE BEGINNING OF OPERATIONS OF THE COMPANY, AXTEL HAS INVESTED APPROXIMATELY PS.34BILLION IN INFRASTRUCTURE. THE COMPANY EXPECTS TO DO MORE INVESTMENTS IN THE FUTURE, ACCORDING TO THE EXPANSION OF THE NETWORK IN OTHER GEOGRAPHICAL AREAS OF MEXICO IN ORDER TO GAIN MARKET AND TO MAINTAIN ITS CURRENT INFRASTRUCTURE AND NETWORK.

CASHFLOW STATEMENT

FOR THE TWELVE MONTHS ENDED JUNE 30, 2011 COMPARED WITH TWELVE MONTHS ENDED JUNE 30, 2010

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS.4,434 MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON JUNE 30, 2011 COMPARED TO PS.2,651 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010.

NET RESOURCES USED IN INVESTING ACTIVITIES WERE PS. (3,105) MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON JUNE 30, 2011 COMPARED TO PS. (3,375) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS.(3,076) MILLION AND PS.(2,974) MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS.(953)MILLION AND PS.1,083 MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON JUNE 30, 2011 AND 2010, RESPECTIVELY.

OTHER IMPORTANT INFORMATION

1) FIGURES IN THIS RELEASE ARE PRESENTED BASED ON MEXICAN FINANCIAL REPORTING STANDARDS (FRS) IN NOMINAL PESOS.

2) REVENUES ARE DERIVED FROM:

I. LOCAL SERVICES. WE GENERATE REVENUE BY ENABLING OUR CUSTOMERS TO ORIGINATE AND RECEIVE CALLS WITHIN A DEFINED LOCAL SERVICE AREA AND BY PROVIDING OFFERS WITH INTERNET

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ACCESS INCLUDED IN THE MONTHLY RENT. CUSTOMERS ARE CHARGED A FLAT MONTHLY FEE FOR BASIC SERVICE, A PER CALL FEE FOR LOCAL CALLS ("MEASURED SERVICE"), A PER MINUTE USAGE FEE FOR CALLS COMPLETED ON A CELLULAR LINE ("CALLING PARTY PAYS," OR CPP CALLS) AND VALUE ADDED SERVICES. THE COMPANY ALSO PROVIDE CUSTOMERS WITH COMMERCIAL OFFERS INCLUDING LIMITED OR UNLIMITED LOCAL CALLS, MINUTES OF CPP CALLS, MINUTES OF LONG DISTANCE, VALUE ADDED SERVICES AND INTERNET ACCESS FOR A FLAT MONTHLY RENT.

II.LONG DISTANCE SERVICES. WE GENERATE REVENUES BY PROVIDING LONG DISTANCE SERVICES (DOMESTIC AND INTERNATIONAL) FOR OUR CUSTOMERS' COMPLETED CALLS FROM AXTEL LINES.

III.DATA & NETWORK. WE GENERATE REVENUES BY PROVIDING DATA, INTERNET ACCESS AND NETWORK SERVICES, LIKE VIRTUAL PRIVATE NETWORKS AND PRIVATE LINES.

IV.INTERNATIONAL TRAFFIC. WE GENERATE REVENUES TERMINATING INTERNATIONAL TRAFFIC FROM FOREIGN CARRIERS.

V.OTHER SERVICES. INCLUDE AMONG OTHERS, ACTIVATION FEES, CUSTOMER PREMISES EQUIPMENT ('CPE') SALES AND REVENUES GENERATED FROM INTEGRATED TELECOMMUNICATIONS SERVICES PROVIDED TO CORPORATE CUSTOMERS, FINANCIAL INSTITUTIONS AND GOVERNMENT ENTITIES.

3)COST OF REVENUES INCLUDE EXPENSES RELATED TO THE TERMINATION OF OUR CUSTOMERS' CELLULAR AND LONG DISTANCE CALLS IN OTHER CARRIERS' NETWORKS, AS WELL AS EXPENSES RELATED TO BILLING, PAYMENT PROCESSING, OPERATOR SERVICES AND OUR LEASING OF PRIVATE CIRCUIT LINKS.

4)OPERATING EXPENSES INCLUDE COSTS INCURRED IN CONNECTION WITH GENERAL AND ADMINISTRATIVE MATTERS WHICH INCORPORATE COMPENSATION AND BENEFITS, THE COSTS OF LEASING LAND RELATED TO OUR OPERATIONS AND COSTS ASSOCIATED WITH SALES AND MARKETING AND THE MAINTENANCE OF OUR NETWORK.

5)ADJUSTED EBITDA IS DEFINED AS NET INCOME PLUS INTEREST, TAXES, DEPRECIATION AND AMORTIZATION, AND FURTHER ADJUSTED FOR UNUSUAL OR NON-RECURRING ITEMS. FOR ADDITIONAL DETAIL ON THE ADJUSTED EBITDA RECONCILIATION, GO TO AXTEL'S WEB SITE AT WWW.AXTEL.COM.MX

6)EARNINGS PER CPO ARE CALCULATED DIVIDING THE NET INCOME BY THE AVERAGE NUMBER OF SERIES A AND SERIES B SHARES OUTSTANDING DURING THE PERIOD DIVIDED BY SEVEN. THE NUMBER OF OUTSTANDING SERIES A AND SERIES B SHARES WAS 96,636,627 AND 8,672,716,596, RESPECTIVELY, AS OF JUNE 30, 2011.

7)NET DEBT TO ADJUSTED EBITDA: THE FIGURE COMES FROM DIVIDING THE NET DEBT, INCLUDING CASH AND MARK-TO-MARKET OF DERIVATIVE INSTRUMENTS, AT THE END OF THE PERIOD BY THE RESPECTIVE ADJUSTED EBITDA.

8)REVENUE GENERATING UNIT, OR RGU, REPRESENTS INDIVIDUAL SERVICE SUBSCRIBER WHO GENERATES RECURRING REVENUE FOR THE COMPANY. TOTAL RGUS INCLUDE THE SUM OF ALL LINES IN SERVICE AND BROADBAND SERVICE CUSTOMERS OR SUBSCRIBERS.

9)BREAKDOWN OF AXTEL'S REVENUES INCLUDING ITS LARGEST WHOLESALE CUSTOMER:

REVENUES

				LTM	LTM
MILLION PESOS	Q2 2011	Q2 2010	Q1 2011	JUN-11	JUN-10
LOCAL	1,089	1,156	1,095	4,427	4,539
LONG DISTANCE	303	280	293	1,193	1,129
DATA & NETWORK	628	615	656	2,565	2,401

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INT'L. TRAFFIC	286	323	270	1,169	1,277
OTHER	387	389	341	1,418	1,311
	2,693	2,762	2,655	10,771	10,657

10)802.16E WIMAX IS AN IP-BASED VOICE AND DATA WIRELESS TECHNOLOGY DESIGNED TO DELIVER VOICE AND DATA SOLUTIONS, UNDER FIXED, PORTABLE, NOMADIC AND MOBILE ENVIRONMENTS, TO RESIDENTIAL AND BUSINESS CUSTOMERS.

11)DEPRECIATION AND AMORTIZATION INCLUDES DEPRECIATION OF ALL COMMUNICATIONS NETWORK AND EQUIPMENT AND AMORTIZATION OF PRE-OPERATING EXPENSES AND COST OF SPECTRUM LICENSES, AMONG OTHERS.

ABOUT AXTEL

AXTEL IS A MEXICAN TELECOMMUNICATIONS COMPANY THAT PROVIDES LOCAL AND LONG DISTANCE TELEPHONY, BROADBAND INTERNET, DATA AND BUILT-TO-SUIT COMMUNICATIONS SOLUTIONS IN 39 CITIES AND LONG DISTANCE CONNECTIVITY TO BUSINESS AND RESIDENTIAL CUSTOMERS IN OVER 200 CITIES. AXTEL PROVIDES TELECOMMUNICATIONS SERVICES USING A SUITE OF TECHNOLOGIES INCLUDING FWA, WIMAX, COPPER, FIBER OPTIC, POINT TO MULTIPOINT RADIOS AND TRADITIONAL POINT TO POINT MICROWAVE ACCESS, AMONG OTHERS.

AXTELCPO TRADES ON THE MEXICAN STOCK EXCHANGE AND IS PART OF THE IPC INDEX. AXTEL'S AMERICAN DEPOSITARY SHARES ARE ELIGIBLE FOR TRADING IN THE PORTAL MARKET, A SUBSIDIARY OF THE NASDAQ STOCK MARKET, INC.

VISIT AXTEL'S INVESTOR RELATIONS CENTER ON WWW.AXTEL.COM.MX

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(1) BASIS OF PRESENTATION

THESE FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE SPANISH LANGUAGE ORIGINAL FOR THE CONVENIENCE OF THE ENGLISH-SPEAKING READERS.

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH MEXICAN FINANCIAL REPORTING STANDARD (FRS) B-9 "INTERIM FINANCIAL REPORTING", THEREFORE NOT COMPLY WITH ALL PRESENTATION AND DISCLOSURE REQUIREMENTS SET FORTH IN OTHER FRS IN EFFECT AS OF THE BALANCE SHEET DATE.

IN COMPLIANCE WITH THE FRS B-9 MENTIONED ABOVE, IN THE ATTACHMENT (ICSSTRIM.PDF) IS SUBMITTED THE CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010 AND THE CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2011 AND 2010.

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010, AND FOR THE YEAR THEN ENDED.

FOR PURPOSES OF DISCLOSURE IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, REFERENCES TO PESOS OR "PS.", ARE TO MEXICAN PESOS; LIKewise, REFERENCES TO DOLLARS OR U.S. \$, OR USD ARE TO DOLLARS OF THE UNITED STATES OF AMERICA.

(2) RELATED PARTIES TRANSACTIONS AND BALANCES

BANAMEX AND/OR CITIGROUP INC. AGREEMENTS

• CREDIT AGREEMENT WITH BANAMEX

ON OCTOBER 22, 2010, A REVOLVING CREDIT AGREEMENT WAS SIGNED BETWEEN AXTEL, SAB DE CV AND BANCO NACIONAL DE MEXICO S.A., MEMBER OF GRUPO FINANCIERO BANAMEX. THIS AMOUNT COVERS A COMMITTED LINE OF CREDIT UP TO U.S. \$ 30,000,000.00 MILLION DOLLARS OR ITS EQUIVALENT IN MEXICAN PESOS AND IT HAS A TENOR OF THREE YEARS. ON DECEMBER 7, 2010 WE HAD A WITHDRAWAL OF \$ 280,000,000.00 MILLION MEXICAN PESOS, RENEWABLE EVERY NINETY DAYS AND BEARING INTEREST ON A MONTHLY BASIS. ONCE THE WITHDRAW PERIOD ENDS, THE AMOUNT WILL BE REPAYABLE IN TWO YEARS.

• TERM LOAN FACILITY

ON NOVEMBER 30, 2006 WE ENTERED INTO AN UNSECURED CREDIT AGREEMENT WITH CITIBANK, N.A. AS THE ADMINISTRATIVE AGENT AND BANAMEX AS THE PESO AGENT, WHICH WAS SUBSEQUENTLY AMENDED AND RESTATED ON FEBRUARY 23, 2007, WITH A PESO TRANCHE IN THE AGGREGATE AMOUNT OF PS. 1,042,362,416.67 AND A U.S. DOLLAR TRANCHE IN THE AGGREGATE AMOUNT OF US\$110,225,133.28. THE TERM LOAN FACILITY WOULD HAVE MATURED IN FEBRUARY 2012, WITH PARTIAL PRINCIPAL REPAYMENTS PAYABLE QUARTERLY STARTING IN FEBRUARY 2010. IN SEPTEMBER 2009, WE MADE A PRE PAYMENT OF US\$85,000,000.00 FOR THE U.S. DOLLAR TRANCHE. ON MARCH 22, 2010 THE OUTSTANDING AMOUNT OF BOTH TRANCHES WAS PREPAID. THE FACILITY WAS SYNDICATED WITH SIXTEEN MEXICAN AND INTERNATIONAL FINANCIAL INSTITUTIONS.

• BANAMEX MASTER SERVICES AGREEMENT

ON NOVEMBER 27, 2006, AXTEL, AVANTEL AND BANAMEX ENTERED INTO A MASTER SERVICES AGREEMENT IN WHICH IT WAS AGREED THAT ALL SERVICE AGREEMENTS IN EFFECT BETWEEN AVANTEL AND BANAMEX AS OF THE DATE OF THE ACQUISITION WOULD SURVIVE WITH SUBSTANTIALLY IDENTICAL TERMS AND AXTEL WOULD PROVIDE TELECOMMUNICATIONS SERVICES (INCLUDING, LOCAL,

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LONG DISTANCE AND OTHER SERVICES) TO BANAMEX AND ITS AFFILIATES LOCATED IN MEXICO. DURING THE TERM OF THE AGREEMENT, BANAMEX HAS AGREED TO CONTRACT WITH US FOR ALL OF ITS CURRENT AND FUTURE TELECOMMUNICATIONS NEEDS AND WE HAVE AGREED TO GRANT BANAMEX A MOST FAVORED CUSTOMER BENEFIT WITH RESPECT TO RATES AND SERVICES LEVELS. THE INITIAL TERM OF THIS AGREEMENT IS FOR FIVE YEARS, WITH AUTOMATIC RENEWAL FOR SIMILAR PERIODS OF FIVE YEARS IF AT THAT TIME OF RENEWAL WE ARE NOT IN BREACH OF OUR OBLIGATIONS.

•BANAMEX CREDIT AGREEMENT

ON DECEMBER 7, 2006, AVANTEL CONCESIONARIA AND BANAMEX ENTERED INTO A CREDIT AGREEMENT UNDER WHICH AVANTEL CONCESIONARIA ISSUED A STANDBY LETTER OF CREDIT IN FAVOR OF TELMEX AND TELNOR FOR AN AMOUNT OF US\$60.0 MILLION TO SECURE PAYMENT OF SERVICES RENDERED BY TELMEX AND TELNOR IN CONNECTION WITH THE INTERCONNECTION AGREEMENT DATED AS OF OCTOBER 1, 2006 AMONG TELMEX, TELNOR AND AVANTEL CONCESIONARIA. ON JANUARY 30, 2009, THE STANDBY LETTER OF CREDIT WAS EXTENDED UNTIL DECEMBER 2009. THE EXTENSION WAS SIGNED BETWEEN AXTEL, S.A.B. DE C.V. AND BANAMEX AND THE AMOUNT WAS REDUCED TO US\$34.0 MILLION. ON JANUARY 2010, THE LETTER WAS EXECUTED AND IT WAS NOT RENEWED.

•TELHOLDING AGREEMENT

ON NOVEMBER 30, 2006, WE ENTERED INTO AN AGREEMENT WITH TEL HOLDING WHEREBY TEL HOLDING WAS GRANTED THE OPTION TO SUBSCRIBE FOR A NUMBER OF SHARES (IN THE FORM OF CPOS) REPRESENTING UP TO 10% OF OUR OUTSTANDING SHARES. PURSUANT TO THIS SUBSCRIPTION AGREEMENT, TEL HOLDING SUBSCRIBED AND PAID 82,151,321 SERIES B SHARES IN THE FORM OF CPOS ON JANUARY 04, 2007. ACCORDING TO THE TERMS OF THIS SUBSCRIPTION AGREEMENT, TEL HOLDING AGREED NOT TO TRANSFER ANY OF THE CPOS ACQUIRED PURSUANT TO SUCH SUBSCRIPTION AGREEMENT FOR A PERIOD OF 364 DAYS FOLLOWING THE DATE OF THE ACQUISITION OF SUCH CPOS, EXCEPT IN CERTAIN CIRCUMSTANCES. IN ADDITION, TEL HOLDING WAS GRANTED THE RIGHT TO REQUEST US TO ASSIST AND SUPPORT THEM, AT OUR EXPENSE, IN PREPARING AND ISSUING PLACEMENT PROSPECTUS AND IN PARTICIPATING IN INVESTOR MEETINGS FOR THE OFFER OF THE CPOS, PROVIDED THAT (I) THREE YEARS HAVE ELAPSED SINCE THE ACQUISITION OF THE CPOS BY TEL HOLDING AND (II) SUCH OFFER IS MADE IN ANY SECURITIES EXCHANGE WHERE THE CPOS REPRESENTING OUR SHARES ARE TRADING AT THE TIME.

•BLACKSTONE'S ADVISORY SERVICES

WE HAVE ENGAGED AND MAY CONTINUE TO ENGAGE THE BLACKSTONE GROUP AND CERTAIN OF ITS AFFILIATES FROM TIME TO TIME IN CONNECTION WITH STRATEGIC ADVICE RELATED TO OUR BUSINESS.

OTHER TRANSACTIONS

•IN MARCH AND MAY 2000, AXTEL AND GEMINI, S.A. DE C.V. (A COMPANY CONTROLLED BY ALBERTO GARZA SANTOS, ONE OF OUR SHAREHOLDERS) ENTERED INTO LEASE AGREEMENTS FOR THE LEASE OF LAND AND PROPERTY ON WHICH OUR CORPORATE OFFICES AND A SWITCH ARE LOCATED. THE AGREEMENT WAS MODIFIED AND SIGNED BETWEEN AXTEL AND DELTA INMOBILIARIA Y VALORES, S.A. DE C.V. (FORMERLY INVERSIONES DD, S.A. DE C.V.). FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010, THE COMPANY PAID DELTA INMOBILIARIA Y VALORES APPROXIMATELY US\$ 1.5 MILLION AND US\$1.0 MILLION, RESPECTIVELY, IN RENTAL PAYMENTS UNDER THESE LEASES.

•IN AUGUST 2002, AXTEL AND NEORIS DE MEXICO, S.A. DE C.V. (A CONSULTING FIRM INDIRECTLY CONTROLLED BY AN AFFILIATE OF IMPRA CAFÉ, S.A. DE C.V., ONE OF OUR SHAREHOLDERS) ENTERED INTO A PROFESSIONAL SERVICES AGREEMENT FOR THE PROVISION OF TECHNICAL ASSISTANCE TO US WITH RESPECT TO A CUSTOMER CARE PLATFORM. FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010, THE COMPANY PAID NEORIS APPROXIMATELY US\$0.1 MILLION EACH YEAR, IN SERVICE FEES.

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• IN APRIL 2002, AXTEL AND INSTALACIONES Y DESCONEXIONES ESPECIALIZADAS, S.A. DE C.V. (A COMPANY CONTROLLED BY THE SON OF ALBERTO SANTOS DE HOYOS, ONE OF OUR SHAREHOLDERS) ENTERED INTO A SERVICES AGREEMENT FOR THE PROVISION OF INSTALLATION SERVICES WITH REGARD TO CUSTOMER PREMISE EQUIPMENT. FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010, THE COMPANY PAID THEM APPROXIMATELY US\$1.0 MILLION EACH YEAR, IN FEES FOR SERVICES.

• FUNDACIÓN AXTEL A.C., A NON-PROFIT CHARITY, WAS FOUNDED IN 2005 TO PROMOTE PROVIDE ASSISTANCE IN THE COMMUNITIES WHERE THE COMPANY OPERATE. AMONG OTHERS, TOMAS MILMO SANTOS AND PATRICIO JIMENEZ SERVE AS DIRECTORS IN FUNDACIÓN AXTEL. FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010, THE COMPANY CONTRIBUTED APPROXIMATELY US\$0.4 MILLION EACH YEAR, TO FUNDACIÓN AXTEL.

• ON NOVEMBER 24, 2006, OUR SHAREHOLDERS THOMAS MILMO ZAMBRANO, MARIA LUISA SANTOS DE HOYOS, ALBERTO SANTOS DE HOYOS, TOMAS MILMO SANTOS AND IMPRA CAFE, S.A. DE C.V., ENTERED INTO AN SHAREHOLDERS AGREEMENT WHEREBY THEY AGREED, AMONG OTHER THINGS, TO VOTE THEIR SHARES (IN ANY MEETING OF SHAREHOLDERS WHEREBY THE MEMBERS OF THE BOARD ARE TO BE ELECTED) IN ORDER TO DESIGNATE ONE DIRECTOR (AND ITS ALTERNATE) TO OUR BOARD AS PROPOSED JOINTLY BY CITIGROUP INC., ITS SUBSIDIARIES AND TEL HOLDING AND ITS ASSIGNS, SO LONG AS SUCH ENTITIES COLLECTIVELY HOLD OR BENEFICIAL OWN (DIRECTLY OR INDIRECTLY THROUGH CPOS) SHARES REPRESENTING BETWEEN 7% AND 10% OF OUR OUTSTANDING SHARES.

(3) COMMITMENTS AND CONTINGENCIES

AS OF JUNE 30, 2011, THE COMPANY HAS THE FOLLOWING COMMITMENTS AND CONTINGENCIES:

(A) ON SEPTEMBER 1, 2008, THE DEPARTMENT OF COMMUNICATIONS AND TRANSPORTATION (SECRETARÍA DE COMUNICACIONES Y TRANSPORTES "SCT"), ISSUED FOUR RULINGS RESOLVING FOUR ADMINISTRATIVE REVIEW PROCEEDINGS REGARDING INTERCONNECTION DISAGREEMENTS THAT WERE PREVIOUSLY FILED BEFORE THE FEDERAL TELECOMMUNICATIONS COMMISSION (COMISIÓN FEDERAL DE TELECOMUNICACIONES "COFETEL") AGAINST THE FOLLOWING COMPANIES: RADIOMOVIL DIPSA, S.A. DE C.V. ("TELCEL"), IUSACELL PCS, S.A. DE C.V. AND OTHERS ("GRUPO IUSACELL"), PEGASO PCS, S.A. DE C.V. AND OTHERS ("GRUPO TELEFONICA") AND OPERADORA UNEFON, S.A. DE C.V. ("UNEFON").

THE RESOLUTIONS ISSUED BY THE SCT, PRIMARILY CONSIDER THE APPLICATION OF NEW RATES REGARDING CONSUMPTION BEGINNING IN SEPTEMBER 2008, AND SECONDLY, THE RETROACTIVE APPLICATION OF THOSE RATES. IN THE CASE OF TELCEL IN EFFECT SINCE JANUARY 1, 2008, AND FOR THE CASE OF THE OTHER MOBILE OPERATORS (GRUPO IUSACELL, GRUPO TELEFONICA AND UNEFON), IN EFFECT SINCE OCTOBER 2006.

THEREFORE, EFFECTIVE SEPTEMBER 2008, THE MOBILE CARRIERS ARE OBLIGATED TO BILL THE COMPANY FOR THE TERMINATION OF CALLS IN MOBILE PHONES UNDER THE MODALITY OF "CALLING PARTY PAYS" ACCORDING TO THE TERMS OF THE RESOLUTIONS (USING RATES BASED ON THE ACTUAL DURATION OF THE CALL), AND IN ADDITION, ACCORDING TO SUCH RESOLUTIONS, THE COMPANY COULD CLAIM THE AMOUNTS THAT THE COMPANY HAS PAID IN EXCESS DURING THE PERIODS REFERRED TO UNDER THE ABOVE MENTIONED RESOLUTIONS, THAT IS, THE DIFFERENCE BETWEEN THE INTERCONNECTION RATES APPLIED BY THE MOBILE CARRIERS AND PAID BY THE COMPANY DURING SUCH PERIOD, AND THE RATES ESTABLISHED BY THE SCT IN THE RESOLUTIONS.

AS OF JUNE 30, 2011, ACCORDING TO THE RESOLUTIONS OF THE SCT AND USING SOME PRELIMINARY INFORMATION OF THE COMPANY, BOTH AXTEL AND AVANTEL WOULD HAVE PAID APPROXIMATELY PS. 397.7 MILLION IN EXCESS TO TELCEL, AND TO THE REST OF THE MOBILE OPERATORS, PS. 396.6 MILLION.

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AS A RESULT OF THE RESOLUTIONS ISSUED BY THE SCT, THE COMPANY ACKNOWLEDGED THAT SINCE AUGUST 2008 AND THEREAFTER, THE INTERCONNECTION RATE FOR TERMINATION AUTHORIZED FOR 2008, WAS PS. 0.5465 PER MINUTE FOR TELCEL AND PS. 0.6032 PER MINUTE FOR THE REST OF THE CARRIERS, THE AUTHORIZED RATES FOR 2009 WERE PS. 0.5060 PER ACTUAL MINUTE FOR TELCEL, AND PS. 0.6032 PER ACTUAL MINUTE FOR THE REST OF THE CARRIERS; AND THE AUTHORIZED RATES FOR 2010 WERE PS. 0.4710 PER ACTUAL MINUTE FOR TELCEL, AND PS. 0.6032 PER ACTUAL MINUTE FOR THE REST OF THE CARRIERS. APPLYING THE CONCEPT OF NON-DISCRIMINATORY TREATMENT, AVANTEL ALSO ADOPTED THE RATES MENTIONED ABOVE. THE RATES THAT AXTEL AND AVANTEL WERE PAYING BEFORE THE RESOLUTIONS AMOUNTED TO PS. 1.3216 FOR EACH ACTUAL MINUTE FOR TELCEL AND PS. 1.21 FOR EACH ROUNDED MINUTE FOR THE REST OF THE MOBILE CARRIERS. AS OF JUNE 30, 2011, THE DIFFERENCE BETWEEN THE AMOUNTS PAID BY THE COMPANY ACCORDING TO THE NEW RATES ESTABLISHED BY THE SCT, AND THE AMOUNTS BILLED BY THE MOBILE CARRIERS, AMOUNTED TO APPROXIMATELY PS. 1,879 MILLION NOT INCLUDING VALUE ADDED TAX.

THE COMPANY IS AWARE THAT TELCEL AND THE OTHER MOBILE CARRIERS HAVE FILED BEFORE THE FEDERAL COURTS, THEIR DISAGREEMENT WITH RESPECT TO THE RESOLUTIONS ISSUED BY THE SCT MENTIONED, AND THERE IS A CONTINGENCY FOR THE COMPANY (AXTEL AND AVANTEL) IN CASE THAT THE COURTS RULE AGAINST THESE RESOLUTIONS, AND THAT AS A RESULT, DIFFERENT RATES ARE ESTABLISHED IN COMPARISON TO THOSE ESTABLISHED BY THE SCT. THE CONTINGENCY WOULD BE THE DIFFERENCE BETWEEN THE RATES ESTABLISHED BY SCT, AND THOSE RATES ESTABLISHED BY THE COURTS UNDER THE RESPECTIVE RESOLUTIONS, SUCH CONTINGENCY IN CASE THAT THESE RATES ARE HIGHER THAN PS. 0.5465, PS. 0.5060, PS. 0.4710 AND PS. 0.4719 FOR EACH ACTUAL MINUTE FOR TELCEL FOR 2008, 2009, 2010 AND 2011, RESPECTIVELY; AND PS. 0.6032 FOR EACH ACTUAL MINUTE FOR THE REST OF THE MOBILE CARRIERS. THE COMPANY'S MANAGEMENT BELIEVES THAT THE COMPANY HAS THE NECESSARY ELEMENTS TO PREVAIL UNDER THESE PROCEEDINGS BEFORE THE COURT; THEREFORE, SINCE AUGUST 2008 AND THEREAFTER, IT HAS RECOGNIZED THE COST BASED ON PS. 0.5465 PER EACH ACTUAL MINUTE FOR TELCEL AND PS. 0.6032 PER EACH MINUTE FOR THE REST OF THE MOBILE CARRIERS.

WITH RESPECT TO THE POSSIBILITY OF THE COMPANY TO RECOVER THE PAYMENTS MADE IN EXCESS OF APPLICABLE AMOUNTS DUE UNDER THE RESOLUTIONS FOR PERIODS PRIOR TO AUGUST 2008, IT IS IMPORTANT TO MENTION THAT COLLECTION OR RECOVERY OF SUCH AMOUNTS IS NOT AUTOMATIC, THEREFORE, IN ORDER TO COLLECT OR RECOVER, AMONG OTHER ALTERNATIVES, THE COMPANY MAY INITIATE ORDINARY COMMERCIAL LAWSUIT AGAINST THE MOBILE CARRIERS. IN THIS CASE ANY CLAIMED AMOUNTS BY THE COMPANY IN SUCH LITIGATION WILL BE SUBJECT TO THE INTERPRETATION OF THE JUDGES BASED UPON THE EVIDENCE AND DOCUMENTS PRESENTED BY THE PARTIES, THAT IN CASE THAT THE COMPANY DECIDES TO FOLLOW THIS ALTERNATIVE. CONSIDERING THE CHARACTERISTICS AND COMPLEXITY OF THE RESOLUTIONS OF THE SCT AND THEIR EFFECTS, PLUS THE FACT THAT THERE IS LITTLE OR NO PRECEDENTS, IT IS VERY LIKELY THAT THESE PROCEEDINGS WILL BE LENGTHY. AS OF JUNE 30, 2011, THE COMPANY HAS NOT RECOGNIZED THE BENEFIT OF ANY SUCH POSSIBLE RECOVERY.

IN APRIL 2010, WITH RESPECT TO IUSACELL COURT CASE, A FEDERAL JUDGE ISSUED A RESOLUTION (IN FIRST INSTANCE) IN WHICH IT DETERMINED, THAT THE SCT WAS COMPETENT TO RESOLVE THE RESPECTIVE ADMINISTRATIVE REVIEW PROCEEDING FILED BY AXTEL, BUT INSTEAD OF HAVING DETERMINED DIRECTLY THE INTERCONNECTION RATES, THE SCT SHOULD HAVE PROVIDED GUIDELINES ON THIS MATTER TO COFETEL, IN ORDER FOR COFETEL TO ISSUE THE DISPUTED INTERCONNECTION TARIFFS. AFTERWARDS, A FEDERAL DISTRICT COURT DETERMINED ON THIS MATTER, THAT THE ADMINISTRATIVE REVIEW PROCEEDING HAD TO BE RESOLVED BY COFETEL, AND NOT BY THE SCT, BY MEANS OF WHICH, NOW COFETEL IS IN THE PROCESS OF ISSUING A NEW RULING ON THIS MATTER. THIS IMPLIES THAT THE SCT'S RESOLUTION REGARDING INTERCONNECTION RATES WAS REVOKED, AND REMITTED TO COFETEL FOR ITS DETERMINATION OF THE APPLICABLE INTERCONNECTION RATES. ON OCTOBER 20, 2010, COFETEL ISSUED RESOLUTION P/201010/492 BY MEANS OF WHICH, IT

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DETERMINED THE INTERCONNECTION TARIFFS APPLICABLE BETWEEN AXTEL AND TELEFÓNICA, FOR THE PERIOD 2008 - 2011, CONSIDERING THE SAME AMOUNTS ESTABLISHED BY THE SCT IN ITS RESOLUTION DATED SEPTEMBER 01, 2008, THIS IS, PS. 0.5465 PER ACTUAL MINUTE FOR THE YEAR 2008, PS. 0.5060 FOR THE YEAR 2009, PS. 0.4705 FOR THE YEAR 2010, AND PS. 0.4179 FOR THE YEAR 2011.

REGARDING TELCEL'S COURT CASE, IN JULY 2010, A FEDERAL DISTRICT JUDGE, ISSUED A FIRST INSTANCE RULING WHEREBY IT WAS DETERMINED THAT THE SCT WAS COMPETENT TO RESOLVE THE RESPECTIVE ADMINISTRATIVE REVIEW PROCEEDINGS FILED BY AXTEL, IT RATIFIED THE COSTS MODEL USED BY THE SCT WITH, WITH SOME BRIEF REMARKS, AND SET THE RATES FOR 2008 AT PS. 0.4606, FOR 2009 AT PS. 0.4335, FOR 2010 AT PS. 0.4170 AND FOR 2011 AT PS. 0.4015. TELCEL CONTESTED THIS RESOLUTION, AND THE REVIEW WAS SENT TO THE SEVENTEENTH FEDERAL DISTRICT COURT SPECIALIZED IN ADMINISTRATIVE MATTERS OF THE FIRST CIRCUIT. AS OF TODAY, THE SECOND CHAMBER OF THE SUPREME COURT OF JUSTICE DECIDED TO EXERCISE ITS RIGHT TO ATTRACT THIS CASE DUE TO ITS HIGH RELEVANCE. THE RULING REGARDING UNEFON'S AND TELEFONICA'S COURT CASES, HAD ALREADY BEEN SOLVED BY THE FIRST INSTANCE, AND AS WELL AS TELCEL'S COURT CASE, THE SECOND CHAMBER OF THE SUPREME COURT OF JUSTICE, ATTRACTED UNEFON'S COURT CASE, AND IS STUDYING THE POSSIBILITY OF EXERCISING ITS RIGHT TO ATTRACT TELEFONICA'S CASE.

AFTER EVALUATING THE ACTUAL STATUS OF THE FOREGOING PROCEEDINGS AND ACCORDING TO THE AVAILABLE INFORMATION AND INFORMATION PROVIDED BY THE LEGAL ADVISORS, THE MANAGEMENT OF THE COMPANY CONSIDERS THAT THERE ARE ENOUGH ELEMENTS TO MAINTAIN THE ACTUAL ACCOUNTING TREATMENT, AND THAT AT THE END OF THE LEGAL PROCESS THE INTERESTS OF THE COMPANY WILL PREVAIL.

COMPANY MANAGEMENT IS AWARE OF THE FACT THAT TELCEL AND THE OTHER MOBILE OPERATORS HAVE ASKED THE FEDERAL COURTS FOR THE SUSPENSION OF THE RESOLUTIONS BY THE SCT, BUT THOSE SUSPENSIONS ARE STILL NOT BINDING OR COMPULSORY FOR THE COMPANY, EXCEPT FOR THE CASE OF GRUPO TELEFONICA, WHOSE SUSPENSION WAS SERVED TO THE COMPANY, NEVERTHELESS, IT CEASED TO BE IN EFFECT DUE TO THE FACT THAT THE COMPANY DECIDED TO PRESENT A BAIL.

DUE TO COFETEL'S RESOLUTION P/201010/492, WHEREBY THE INTERCONNECTION RATES APPLICABLE BETWEEN AXTEL AND TELEFÓNICA FOR THE PERIOD 2008 - 2011 WERE DETERMINED, THESE ARE THE CURRENT RATES BETWEEN TELEFÓNICA AND AXTEL. SUCH RATES ARE LOWER THAN THE INTERCONNECTION TARIFFS THAT WERE PREVIOUSLY PAID BY AXTEL TO TELEFÓNICA. TELEFONICA CONTESTED THIS RESOLUTION BY MEANS OF FILING A CONSTITUTIONAL TRIAL (JUICIO DE AMPARO), WHICH IS CURRENTLY AT ITS INITIAL STAGE WITH A FEDERAL DISTRICT JUDGE.

(B) IN MARCH 2009, THE COFETEL RESOLVED AN INTERCONNECTION DISAGREEMENT PROCEEDING EXISTING BETWEEN THE COMPANY (AXTEL) AND TELÉFONOS DE MÉXICO, S.A.B. DE C.V. ("TELMEX") RELATED TO THE RATES FOR THE TERMINATION OF LONG DISTANCE CALLS FROM THE COMPANY TO TELMEX WITH RESPECT TO YEAR 2009. IN SUCH ADMINISTRATIVE RESOLUTION, THE COFETEL APPROVED A REDUCTION IN THE RATES FOR TERMINATION OF LONG DISTANCE CALLS APPLICABLE TO THOSE CITIES WHERE TELMEX DOES NOT HAVE INTERCONNECTION ACCESS POINTS. THESE RATES WERE REDUCED FROM PS. 0.75 PER MINUTE TO US\$0.0105 OR US\$0.0080 PER MINUTE DEPENDING ON THE PLACE WHERE THE COMPANY DELIVERS THE LONG DISTANCE CALL.

UNTIL JUNE 2010, TELMEX BILLED THE COMPANY FOR THE TERMINATION OF LONG DISTANCE CALLS APPLYING THE RATES THAT WERE APPLICABLE PRIOR TO THE RESOLUTIONS MENTIONED ABOVE, AND AFTER SUCH DATE, TELMEX HAS BILLED THE RESULTANT AMOUNTS, APPLYING THE NEW INTERCONNECTION RATES. AS OF JUNE 30, 2011, THE DIFFERENCE BETWEEN THE AMOUNTS PAID BY THE COMPANY TO TELMEX ACCORDING TO THE NEW RATES, AND THE AMOUNTS BILLED BY TELMEX, AMOUNT TO APPROXIMATELY TO PS. 1,240 MILLION, NOT INCLUDING VALUE ADDED TAX.

TELMEX FILED FOR NULLIFICATION OF THE PROCEEDING WITH THE FEDERAL TAX AND

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ADMINISTRATIVE COURT (TRIBUNAL FEDERAL DE JUSTICIA FISCAL Y ADMINISTRATIVA) REQUESTING THE NULLIFICATION OF COFETEL'S ADMINISTRATIVE RESOLUTION. THE COMPANY (AXTEL AND AVANTEL) HAVE A CONTINGENCY IN CASE THAT THE FEDERAL TAX AND ADMINISTRATIVE COURT RULES AGAINST THE COMPANY, AND THAT AS A RESULT, ESTABLISHES DIFFERENT RATES COMPARED TO THOSE ESTABLISHED BY COFETEL. TELMEX OBTAINED A SUSPENSION FOR THE APPLICATION OF THE INTERCONNECTION RATES ESTABLISHED BY COFETEL, SUCH SUSPENSION CAME INTO EFFECT ON JANUARY 26, 2010, BUT CEASED TO BE IN FORCE AND EFFECT AS OF FEBRUARY 11, 2010, SINCE THE COMPANY DECIDED TO EXERCISE ITS RIGHT TO LEAVE WITHOUT EFFECT THE SUSPENSION BY GUARANTEEING ANY DAMAGES THAT COULD BE CAUSED TO TELMEX. NONETHELESS, THE COURT REVOKED TELMEX'S GUARANTEE, TAKING INTO CONSIDERATION THE ISSUANCE OF RESOLUTION P/140410/189, WHEREBY COFETEL RESOLVED THE SAME LOW RATES BETWEEN AXTEL AND TELMEX FOR THE YEAR 2010.

IN JANUARY 2010, THE COFETEL RESOLVED AN INTERCONNECTION DISAGREEMENT PROCEEDING EXISTING BETWEEN THE COMPANY (AVANTEL) AND TELMEX RELATED TO THE RATES FOR THE TERMINATION OF LONG DISTANCE CALLS FROM THE COMPANY TO TELMEX WITH RESPECT TO YEAR 2009. IN SUCH ADMINISTRATIVE RESOLUTION, THE COFETEL APPROVED A REDUCTION IN THE RATES FOR TERMINATION OF LONG DISTANCE CALLS APPLICABLE TO THOSE CITIES WHERE TELMEX DOES NOT HAVE INTERCONNECTION ACCESS POINTS. THESE RATES WERE REDUCED FROM PS. 0.75 PER MINUTE TO US\$0.0126, US\$0.0105 OR US\$0.0080 PER MINUTE, DEPENDING ON THE PLACE WHERE THE COMPANY DELIVERS THE LONG DISTANCE CALL. BASED ON THIS RESOLUTION, THE COMPANY PAID APPROXIMATELY PS. 20 MILLION IN EXCESS. THE COMPANY'S MANAGEMENT CONSIDERS THAT TELMEX WILL LIKELY CHALLENGE THE RESOLUTION.

ON MAY 2001, THE COFETEL ISSUED A RULING RESOLVING AN ADMINISTRATIVE REVIEW PROCEEDING REGARDING AN INTERCONNECTION DISAGREEMENT BETWEEN TELMEX AND THE COMPANY, RELATED TO THE TARIFF APPLICABLE TO THE TERMINATION OF LONG DISTANCE CALLS FROM THE COMPANY TO TELMEX, FOR THE YEAR 2011. IN SUCH ADMINISTRATIVE RESOLUTION, THE COFETEL APPROVED A REDUCTION OF THE TARIFFS APPLICABLE FOR THE TERMINATION OF LONG DISTANCE CALLS. THE ABOVE MENTIONED TARIFFS WERE REDUCED FROM US\$0.0126, US\$0.0105 OR US\$0.0080 PER MINUTE, TO \$0.04530 AND \$0.03951 MEXICAN PESOS PER MINUTE, DEPENDING ON THE PLACE IN WHICH THE COMPANY IS TO DELIVER THE LONG DISTANCE TRAFFIC. THE COMPANY'S MANAGEMENT CONSIDERS THAT TELMEX WILL LIKELY CHALLENGE THIS RESOLUTION.

THE COMPANY BELIEVES THAT THE RATES UNDER COFETEL'S RESOLUTION WILL PREVAIL, THEREFORE HAS RECOGNIZED THE COST BASED ON THE RATES APPROVED BY COFETEL. DUE TO THE FACT THAT THE PROCEEDINGS FOLLOWED BY TELMEX ARE RECENT, THE COMPANY AND ITS LEGAL ADVISORS ARE EVALUATING THE STEPS TO BE FOLLOWED.

AS OF DECEMBER 31, 2009, THERE WAS A LETTER OF CREDIT FOR U.S. \$34 MILLION ISSUED BY BANAMEX IN FAVOR OF TELMEX FOR THE PURPOSE OF GUARANTEEING THE COMPANY'S ACQUIRED OBLIGATIONS IN SEVERAL INTERCONNECTION AGREEMENTS. THE AMOUNTS UNDER THE LETTER OF CREDIT WERE DRAWN BY TELMEX IN THE MONTH OF JANUARY 2010, CLAIMING THAT AVANTEL HAD DEBTS WITH SUCH COMPANY.

AS OF JUNE 30, 2011, AVANTEL HAS BEEN ABLE TO RECOVER PS \$289,158 FROM THE AMOUNT MENTIONED ABOVE, THROUGH THE COMPENSATION COLLECTION WITH REGARD TO CERTAIN CHARGES FOR SERVICES RENDERED BY TELMEX TO AVANTEL ON A MONTHLY BASIS. THE NON-RECOVERED BALANCE OF \$113,365 IS RECOGNIZED IN THE "OTHER ACCOUNTS RECEIVABLE" LINE ITEM IN THE BALANCE SHEET.

DUE TO THE FACT THAT THIS EVENT IS RECENT, THE COMPANY AND ITS LEGAL ADVISORS ARE EVALUATING THE STEPS TO BE FOLLOWED.

(C)THE COMPANY IS INVOLVED IN A NUMBER OF LAWSUITS AND CLAIMS ARISING IN THE NORMAL COURSE OF BUSINESS. IT IS EXPECTED THAT THE FINAL OUTCOME OF THESE MATTERS WILL NOT HAVE SIGNIFICANT ADVERSE EFFECTS ON THE COMPANY'S FINANCIAL POSITION AND RESULTS OF

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OPERATIONS.

(D)ON JANUARY 1, 2011, FRS C-18 "PROPERTY, PLANT AND EQUIPMENT RETIREMENT OBLIGATIONS" BECAME EFFECTIVE, AND ESTABLISHES, AMONG OTHERS, THE REQUIREMENT TO RECOGNIZE THE OBLIGATION RELATED TO THE REMOVAL OF FIXED ASSET COMPONENTS, AS A PROVISION THAT INCREASES THE ACQUISITION COST OF THOSE COMPONENTS. AT THE DATE OF ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS, THE COMPANY IS IN THE PROCESS OF IDENTIFYING THE OBLIGATIONS ARISING FROM THE ADOPTION OF THIS FRS AND DETERMINING THE AMOUNT THEREOF.

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ANALYSIS OF INVESTMENTS IN SHARES

CONSOLIDATED

SUBSIDIARIES

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COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	% OWNERSHIP
INSTALACIONES Y CONTRATACIONES, S.A. DE C.V.	SERVICIOS ADMINISTRATIVOS	18,615,358	100.00
SERVICIOS AXTEL, S.A. DE C.V.	SERVICIOS ADMINISTRATIVOS	1,000,000,000	100.00
AVANTEL, S. DE R.L. DE C.V.	SERVICIOS DE TELECOMUNICACIONES	5	100.00
AVANTEL INFRAESTRUCTURA, S. DE R.L. DE C.V.	SERVICIOS DE TELECOMUNICACIONES	3	100.00
TELECOM NETWORKS, INC.	SERVICIOS DE TELECOMUNICACIONES	1,000	100.00

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ANALYSIS OF INVESTMENTS IN SHARES

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ASSOCIATES

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COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	% OWNERSHIP	TOTAL AMOUNT (Thousands of Mexican Pesos)	
				ACQUISITION COST	BOOK VALUE
CONECTIVIDAD INALAMBRICA 7GHZ S. DE R.L.	SERVICIOS DE TELECOMUNICACIONES	2	50.00	24,497	9,749
TOTAL INVESTMENT IN ASSOCIATES				24,497	9,749
OTHER PERMANENT INVESTMENTS					36,203
TOTAL					45,952

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BREAKDOWN OF CREDITS

(Thousand Pesos)

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CREDIT TYPE / INSTITUTION	WITH FOREIGN INSTITUTION	DATE OF AGREEMENT	AMORTIZATION DATE	AMORTIZATION OF CREDITS IN FOREIGN CURRENCY (THOUSANDS OF \$)						AMORTIZATION OF CREDITS IN FOREIGN CURRENCY (THOUSANDS OF \$)					
				TIME INTERVAL						TIME INTERVAL					
				CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR	CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR
SUPPLIERS															
PROVEEDORES	NOT APPLIED			1,347,667	0	0	0	0	0						
PROVEEDORES	NOT									555,273	0	0	0	0	0
PROVEEDORES	YES									366,764	0	0	0	0	0
TOTAL SUPPLIERS				1,347,667	0	0	0	0	0	922,037	0	0	0	0	0
OTHER LOANS WITH COST (S103 Y S30)															
OTROS CREDITOS CON COSTO	NOT APPLIED			29,216	71,272	66,800	30,131	7,462	0						
OTROS CREDITOS CON COSTO	NOT									91,061	74,869	127,846	14,276	0	0
TOTAL				29,216	71,272	66,800	30,131	7,462	0	91,061	74,869	127,846	14,276	0	0
OTHER CURRENT LIABILITIES WITHOUT COST (S26)															
OTROS PASIVOS CIRCULANTES	NOT APPLIED			657,780	252,560										
OTROS PASIVOS CIRCULANTES										271,260	0				
TOTAL				657,780	252,560	0	0	0	0	271,260	0	0	0	0	0
TOTAL				2,375,939	323,832	66,800	30,131	7,462	0	1,284,358	74,869	127,846	14,276	0	9,056,759

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MONETARY FOREIGN CURRENCY POSITION

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(Thousand Pesos)

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FOREIGN CURRENCY POSITION	DOLLARS		OTHER CURRENCIES		TOTAL THOUSANDS OF PESOS
	DOLLARS	PESOS	DOLLARS	PESOS	
MONETARY ASSETS	92,349	1,093,315	0	0	1,093,315
LIABILITIES POSITION	891,815	10,558,107	0	0	10,558,107
SHORT-TERM LIABILITIES POSITION	114,810	1,359,226	0	0	1,359,226
LONG-TERM LIABILITIES POSITION	777,005	9,198,881	0	0	9,198,881
NET BALANCE	-799,466	-9,464,792	0	0	-9,464,792

NOTES

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RESULT FROM MONETARY POSITION

CONSOLIDATED

(Thousand Pesos)

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MONTH	MONETARY ASSETS	MONETARY LIABILITIES	(ASSET) LIABILITY MONETARY POSITION	MONTHLY INFLATION	MONTHLY PROFIT AND (LOSS)
TOTAL					0

OTHER CONCEPTS:					
CAPITALIZED RESULT FOR MONETARY POSITION					

NOTES

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DEBT INSTRUMENTS

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FINANCIAL LIMITED BASED IN ISSUED DEED AND/OR TITLE

ISSUED INDEBTEDNESS DUE IN FEBRUARY 2017 AND SEPTEMBER 2019 (SENIOR NOTES) CONTEMPLATES ONLY ONE FINANCIAL COVENANT, WHICH IS TO HAVE A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 4 TIMES.

SHORT-TERM CREDIT AGREEMENT WITH BANAMEX INCLUDES THE FOLLOWING FINANCIAL RATIOS:

1. DEBT SERVICE, WHICH IS TO HAVE A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 3.3 TIMES.

2. INTEREST COVERAGE CONSISTS IN MAINTAINING A RATIO OF ADJUSTED EBITDA TO INTEREST EXPENSE EQUAL OR HIGHER THAN THREE TIMES.

SHORT-TERM CREDIT AGREEMENT WITH BANORTE INCLUDES THE FOLLOWING FINANCIAL RATIOS:

1. DEBT SERVICE, WHICH IS TO HAVE A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 3.5 TIMES.

2. INTEREST COVERAGE CONSISTS IN MAINTAINING A RATIO OF ADJUSTED EBITDA TO INTEREST EXPENSE EQUAL OR HIGHER THAN THREE TIMES.

CURRENT SITUATION OF FINANCIAL COVENANTS:

THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

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DEBT INSTRUMENTS

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ACTUAL SITUATION OF FINANCIAL LIMITED

THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

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**PLANTS, COMMERCE CENTERS OR DISTRIBUTION
CENTERS**

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PLANT OR CENTER	ECONOMIC ACTIVITY	PLANT CAPACITY	UTILIZATION (%)
NO DISPONIBLE		0	0

NOTES

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MAIN RAW MATERIALS

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DOMESTIC	MAIN SUPPLIERS	FOREIGN	DOM. SUBST.	COST PRODUCTION (%)
NO DISPONIBLE				0

NOTES

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SALES DISTRIBUTION BY PRODUCT

CONSOLIDATED

NET SALES/TOTAL SALES

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MAIN PRODUCTS	NET SALES		MARKET SHARE (%)	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
DOMESTIC SALES					
SERVICIO LOCAL	0	2,183,211	0.00		
SERVICIO DE L.D.	0	595,877	0.00		
DATOS	0	1,284,343	0.00		
TRAFICO INTL.	0	555,750	0.00		
OTROS SERVICIOS	0	728,686	0.00		
FOREIGN SALES					
TOTAL					
		5,347,867			

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SALES DISTRIBUTION BY PRODUCT

CONSOLIDATED

FOREIGN SALES

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MAIN PRODUCTS	NET SALES		DESTINATION	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
EXPORT					
FOREIGN SUBSIDIARIES					
TOTAL		0			

NOTES

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**PROJECT, AMOUNT EXERCISED AND PROGRESS
PERCENTAGE**

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NOT APPLICABLE

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**INFORMATION RELATED TO BULLETIN B-15
(FOREIGN CURRENCY TRANSLATION)**

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FOREIGN CURRENCY TRANSACTIONS ARE RECORDED AT THE RATE OF EXCHANGE PREVAILING ON THE DATE OF EXECUTION OR SETTLEMENT. FOREIGN CURRENCY ASSETS AND LIABILITIES ARE TRANSLATED AT THE EXCHANGE RATE IN FORCE AT THE BALANCE SHEET DATE. EXCHANGE DIFFERENCES ARISING FROM ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES ARE RECOGNIZED IN THE RESULTS OF OPERATION AS PART OF THE COMPREHENSIVE FINANCING RESULT.

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ANALYSIS OF PAID CAPITAL STOCK

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SERIES	NOMINAL VALUE	VALID COUPON	NUMBER OF SHARES				CAPITAL STOCK	
			FIXED PORTION	VARIABLE PORTION	MEXICAN	FREE SUBSCRIPTION	FIXED	VARIABLE
A	0.00000	0	96,636,627	0	96,636,627	0	73,012	0
B	0.00000	0	8,672,716,596	0	0	8,672,716,596	6,552,524	0
TOTAL			8,769,353,223	0	96,636,627	8,672,716,596	6,625,536	0

TOTAL NUMBER OF SHARES REPRESENTING THE PAID IN CAPITAL STOCK ON THE DATE OF SENDING THE INFORMATION

8,769,353,223

NOTES

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DERIVATIVE FINANCIAL INSTRUMENTS

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AXTEL, S.A.B. DE C.V. REPORTS THEIR OPERATIONS WITH FINANCIAL DERIVATIVE INSTRUMENTS, COMPLEMENTARY TO THE 2ND QUARTER FINANCIAL INFORMATION REPORT: QUALITATIVE AND QUANTITATIVE INFORMATION:

DERIVATIVES POLICY

AXTEL, S.A.B. DE C.V. (" THE COMPANY OR AXTEL ") 'S INTERNAL POLICY IS TO CONTRACT DERIVATIVE INSTRUMENTS TO MITIGATE PRIMARILY EXCHANGE AND INTEREST RATE RISK EXPOSURE WITH RESPECT TO OUR FOREIGN CURRENCY OBLIGATIONS OR COMMITMENTS CONTRACTED IN CURRENCIES DIFFERENT THAN THE MEXICAN PESO.

THE STRATEGY OF THE COMPANY DEPENDS ON THE PARTICULAR RISK TO BE HEDGED, IN ACCORDANCE TO THE ESTABLISHED POLICY. WE PREFER INSTRUMENTS THAT COMPLY WITH FRS C-10 OF THE MEXICAN FINANCIAL INFORMATION RULES AS HEDGE INSTRUMENTS, ALTHOUGH OTHER INSTRUMENTS CAN BE CONSIDERED ALSO AS LONG AS SUCH INSTRUMENTS REDUCE AXTEL'S RISKS AGAINST ITS FOREIGN CURRENCY EXPOSURE. ONCE DEFINED THE TYPE OF FINANCIAL INSTRUMENT TO BE USED, THE COMPANY DEALS WITH INTERNATIONAL COUNTERPARTIES ON THE OVER THE COUNTER MARKET ("OTC"). THE COUNTERPARTY MUST HAVE INVESTMENT GRADE BY THE MAJOR RATING AGENCIES OR MET AXTEL'S INTERNAL TREASURY POLICIES. THE COMPANY REQUESTS AT LEAST TWO QUOTES FROM COUNTERPARTIES. THESE ARE COMPARED AND ANALYZED UNDER THE PARAMETERS OF THE FINANCIAL INFORMATION STANDARD (FRS) C-10, AND THEN THE MOST COMPETITIVE IS SELECTED. ALL THE OPERATIONS MUST BE AUTHORIZED BY THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR.

THE VALUATION AGENTS ARE ESTABLISHED IN THE CONTRACT OF FINANCIAL DERIVATIVE INSTRUMENTS OR INTERNATIONAL SWAP DERIVATIVES ASSOCIATION, ("ISDA") AND THEIR SCHEDULES. THESE DOCUMENTS CONTAIN THE TERMS AND CONDITIONS AND THE REQUIRED DOCUMENTATION FOR EACH TRANSACTION, SUCH AS: PAYMENT DATES, CALCULATION AGENT, DEFAULTS, CURRENCY OF DELIVERY, MARGIN CALLS AND APPLICABLE LEGISLATION AMONG OTHERS. IN ORDER TO DETERMINE THE MARK TO MARKET ON A SPECIFIC DATE, THE COMPANY REALIZES THEIR OWN VALUATIONS EXTRACTING ECONOMIC INFORMATION FROM SPECIALIZED SOURCES SUCH AS REUTERS, BLOOMBERG, BANXICO'S WEB PAGE, AND OTHER FINANCIAL INSTITUTIONS.

DURING THE 2ND QUARTER 2011 NO HEDGE TRANSACTIONS WERE TRADED BY THE COMPANY.

MARGINS CALLS, COLLATERAL AND CREDIT LINES.

MARGINS CALLS AND COLLATERALS ARE ESTABLISHED ALSO IN THE ISDA AGREEMENT. THESE ARE ESTABLISHED BY THE COUNTERPARTIES DEPENDING ON THE AUTHORIZED CREDIT LINES AND DETERMINED THRESHOLD LIMITS. THE COMPANY DOES NOT OPERATE WITH COUNTERPARTIES THAT DO NOT OFFER REASONABLE LINES RELATIVE TO THE SIZE OF THE TRANSACTION CLOSED. A TRANSACTION IS NOT NEGOTIATED WITH A COUNTERPARTY THAT DOES NOT OFFER A SUFFICIENT LINE RELATED TO THAT SPECIFIC HEDGE.

THE COMPANY HAS TEN MILLION AND NINE HUNDRED THOUSAND DOLLARS POSTED AS COLLATERAL AS OF JUNE 30TH. 2011, MAINLY DUE TO THE APPRECIATION OF THE PESO AGAINST DE US DOLLAR. THESE MARGIN CALLS ARE HELD BY 2 COUNTERPARTIES (9.4 MILLION BY DEUTSCHE BANK AND 1.5 MILLION BY MORGAN STANLEY), IT SHOULD BE NOTED THAT THE COMPANY HAS NOT INCURRED IN ANY VIOLATION WITH RESPECT TO A MARGIN CALLS MADE BY COUNTERPARTIES DESCRIBED IN THIS DOCUMENT

LEVELS OF AUTHORIZATION

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THE AUTHORIZED OFFICERS TO CLOSE DERIVATIVE TRANSACTIONS ARE THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR, WITH APPROVAL OF THE CHIEF FINANCIAL OFFICER. DEPENDING ON THE NOTIONAL AMOUNT OF EACH TRANSACTION, THE INTERNAL TREASURY COMMITTEE IS INFORMED AND SUBSEQUENTLY APPROVES CERTAIN TRANSACTIONS, ACCORDING TO AXTEL'S INTERNAL TREASURY POLICIES. THE PROCEDURE OF EVERY OPERATION IS REALIZED WITH TWO OR MORE QUOTES WHICH ARE SHOWN BY THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR TO THE CHIEF FINANCIAL OFFICER WHO DECIDES TO PROCEED OR NOTWITH SUCH OPERATION.

PROCEDURES OF INTERNAL CONTROL

ONCE THE TRANSACTION IS CLOSED, THE COUNTERPARTY SEND A CONFIRMATION WHICH SPECIFIES THE TERMS AND CONDITIONS OF THE DEAL TO THE COMPANY. THE COMPANY'S TREASURY DEPARTMENT ("TREASURY") REVIEWS IT AND SENDS IT TO THE ACCOUNTING DEPARTMENT FOR ITS PROPER REGISTRATION.

IN ORDER TO KEEP CONTROL OVER EACH TRANSACTION, ON A MONTHLY BASIS, TREASURY EXECUTES VALUATIONS TO DETERMINE THE MARK TO MARKET AND THE EFFECTIVENESS OF THE DERIVATIVE INSTRUMENTS. THESE VALUATIONS ARE PERFORMED WITH TESTS ESTABLISHED IN THE FRS C-10. ONCE THESE VALUATIONS ARE MADE, THE INFORMATION IS PASSED ALONG TO THE ACCOUNTING DEPARTMENT FOR PROPER REGISTRATION IN THE BOOKS. ON A QUARTERLY BASIS, OUR EXTERNAL AUDITORS REVIEW THE ABOVE MENTIONED RECORDS APPLYING THEIR OWN VALUATION AND CALCULATION METHODS.

EXTERNAL REVIEW

KPMG CARDENAS DOSAL, S.C., THE COMPANY'S EXTERNAL AUDITORS, REVIEWS PERIODICALLY THE VALUATION AND ACCOUNTING RECORDS OF THESE OPERATIONS.

VALUATION TECHNIQUES

THE VALUATION OF DERIVATIVE INSTRUMENTS WITH HEDGING PURPOSES IS REALIZED USING ITS FAIR VALUE METHOD.

WITH THE PURPOSE OF MONITORING THE EFFECTIVENESS OF DERIVATIVES WITH HEDGING PURPOSES, PROSPECTIVE (ANALYSIS OF LINEAR REGRESSION) AND RETROSPECTIVES (PERIODIC OR ACCUMULATED COMPENSATION) TESTS ARE REALIZED USING STATISTICAL SAMPLES OF MARKET VARIABLES (INTEREST AND EXCHANGE RATES), IN ACCORDANCE TO THE FRS C-10. THIS TECHNIQUE ALLOWS THE MONITORING OF THE DERIVATIVE INSTRUMENTS' PERFORMANCE AND THE LIKELIHOOD THAT A PARTICULAR DERIVATIVE INSTRUMENT COULD NOT BE TREATED AS A HEDGE INSTRUMENT IN THE FUTURE.

AXTEL PREPARES ITS OWN VALUATIONS, WHICH IS COMPARED AGAINST THE COUNTERPARTY'S VALUATION. IF THERE IS A SIGNIFICANT DIFFERENCE, FURTHER CLARIFICATION IS REQUESTED.

IN ORDER TO DETERMINE THE EFFECTIVENESS OF THE HEDGING, THE METHOD OF PERIODIC COMPENSATION IS USED.

AT LEAST ONCE A YEAR, THE EXTERNAL AUDITORS OF THE COMPANY (KPMG CARDENAS DOSAL, S.C) REVIEW THE DERIVATIVE INSTRUMENTS ACCOUNTING RECORDS AND VALIDATE THEIR EFFECTIVENESS IN ACCORDANCE WITH THE FRS C-10.

SOURCES OF LIQUIDITY.

MOST OF COMPANY'S REVENUES ARE PESOS DENOMINATED. WITH THE PURPOSE OF ELIMINATING

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THE RISK ASSOCIATED OF HAVING REVENUES IN PESOS AND INTEREST PAYMENT OBLIGATIONS IN DOLLARS ASSOCIATED WITH THE SENIOR NOTES (SEE "DEBT PROFILE"), THE COMPANY ENTERED INTO "INTEREST ONLY SWAPS" AND FX FORWARDS, WHEREBY, THE COMPANY EFFECTIVELY LOCKS THE ABOVE MENTIONED INTEREST PAYMENTS INTO PESOS, MET WITH THE CASH FLOW GENERATED BY ITS OPERATION.

THE COMPANY HAS LINES OF CREDIT FOR THIS TYPE OF INSTRUMENTS FOR APPROXIMATELY \$25 MILLION DOLLARS GRANTED BY THE RESPECTIVE COUNTERPARTIES.

CHANGES IN THE RISK EXPOSURE

THE RISKS THAT ARE IDENTIFIED ARE: THE DECREASE OF THE EXCHANGE RATE FOR ALL THE DERIVATIVE INSTRUMENTS, .IT IS IMPORTANT TO MENTION THAT REGARDING THE MXN APPRECIATION DURING THE SECOND QUARTER OF 2011, THERE WERE MARGIN CALLS FOR AN AMOUNT OF 4.4 MILLION OF USD.

QUANTITATIVE INFORMATION (FIGURES EXPRESSED IN THOUSANDS EXCEPT THAT ANOTHER REFERENCE IS INDICATED).

AS OF JUNE 30, 2011, THE FAIR VALUE OF THE DERIVATIVE INSTRUMENTS CONTRACTED, NET FROM THE VALUE OF THE EMBEDDED DERIVATIVES, AND REPRESENTS A DEBT OR SHORT POSITION OF \$244.8MILLION. DETAILS OF THE DERIVATIVE INSTRUMENTS OF THE 2ND QUARTER 2011 ARE DISCLOSED IN THE FOLLOWING TABLE:

HEDGE TYPE	NOTIONAL AMOUNT	FAIR VALUE		CREDIT LINE
		ACTUAL QUARTER	PAST QUARTER	
1 FX FWD STRIP CS	3,038,750	(7,612)	(1,180)	15,000 USD
2 FX FWD STRIP CS	2,884,605	(25,553)	(655)	15,000 USD
3 FX FWD STRIP CS	2,479,600	(19,473)	(5,384)	15,000 USD
4 FX FWD STRIP CITI	928,575	(18,383)	(12,428)	7,000 USD
5 CROSS CURRENCY SWAP MS	327,250	(17,598)	(14,303)	0 USD
6 CROSS CURRENCY SWAP DB	1,320,200	(74,840)	(61,680)	3,000 USD
7 CROSS CURRENCY SWAP DB	818,838	(32,481)	(24,389)	3,000 USD
8 CROSS CURRENCY SWAP ML	657,575	(36,417)	(29,823)	7,000 USD
9 CROSS CURRENCY SWAP ML	314,975	(12,512)	(9,379)	7,000 USD

ALL OPERATIONS DESCRIBED IN THE ABOVE TABLE ARE FOR HEDGING PURPOSES. THE REFERENCE VARIABLE FOR ALL TRANSACTIONS IS \$ 11.8389 FOR THE CURRENT QUARTER, AND 11.9678 FOR THE PREVIOUS QUARTER

ANNUAL FLOWS PAYABLE ON DERIVATIVE FINANCIAL INSTRUMENTS (AMOUNTS IN THOUSANDS OF PESOS):

COUNTERPARTY	PRINCIPAL	2011	2012	2013	2014
1 CREDIT SUISSE	3,038,750	128,083	128,083	-	-
2 CREDIT SUISSE	2,884,605	130,658	261,316	261,316	261,316
3 CREDIT SUISSE	2,479,600	-	101,168	202,335	202,335
4 CITIBANK-BANAMEX	928,575	-	39,790	79,579	79,579

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5 MORGAN STANLEY	327,250	16,493	32,987	32,987	32,987
6 DEUTSCHE BANK	1,320,200	66,719	133,438	133,438	133,438
7 DEUTSCHE BANK	818,838	40,929	81,858	81,858	81,858
8 BOFA ML	657,575	33,150	66,300	66,300	66,300
9 BOFA ML	314,975	15,717	31,435	31,435	31,435

ANNUAL FLOWS RECEIVABLE ON DERIVATIVE FINANCIAL INSTRUMENTS (AMOUNTS IN THOUSANDS) :

COUNTERPARTY	PRINCIPAL	2011	2012	2013	2014
1 CREDIT SUISSE	275,000	10,484	10,484	-	-
2 CREDIT SUISSE	225,000	10,125	20,250	20,250	20,250
3 CREDIT SUISSE	200,000	-	7,625	15,250	15,250
4 CITIBANK-BANAMEX	75,000	-	2,860	5,719	5,719
5 MORGAN STANLEY	25,000	1,125	2,250	2,250	2,250
6 DEUTSCHE BANK	100,000	4,500	9,000	9,000	9,000
7 DEUTSCHE BANK	65,000	2,925	5,850	5,850	5,850
8 BOFA ML	50,000	2,250	4,500	4,500	4,500
9 BOFA ML	25,000	1,125	2,250	2,250	2,250

ADDITIONAL TO THE ABOVE INFORMATION, AN ASSET OF \$181 IS REGISTERED TO RECOGNIZE THE EFFECT OF THE CONTRACT TERMS AND CLAUSES THAT HAVE EMBEDDED DERIVATIVE CHARACTERISTICS (EMBEDDED DERIVATIVE) WITHIN 5 LEASING AGREEMENTS.

SENSIBILITY ANALYSIS:

AXTEL'S DERIVATIVE INSTRUMENTS HAVE BEEN EFFECTIVE, AND IT IS EXPECTED THAT IT WILL CONTINUE TO BE ACCORDING TO THE REGRESSION ANALYSIS REALIZED ON JUNE 30TH, 2011.

IN CARRYING OUT THE QUARTERLY PROSPECTIVE EFFECTIVENESS TEST, THE DATA USED WAS FOR THE LAST 20 WEEKS PRIOR TO THE DATE OF EACH QUARTERLY ANALYSIS.

AXTEL HAS THE SUPPORT OF THE EXTERNAL AUDITOR, WHO REVIEWS THE COMPLIANCE OF THE INTERNAL POLICY, AND MAKES SURE THAT THE RESULTS ARE REASONABLE.

IT IS IMPORTANT TO MENTION THAT NONE OF THE OPERATIONS OF DERIVATIVE INSTRUMENTS CONTRACTED BY AXTEL PUTS THE COMPANY'S OPERATION AT RISK, GIVEN THAT THE NATURE OF THE INSTRUMENTS ARE TO REDUCE THE EXCHANGE AND INTEREST RATES EXPOSURE IN A FOREIGN CURRENCY.

HOWEVER THE COMPANY CONDUCTS ITS TESTS OF EFFECTIVENESS IN ACCORDANCE WITH APPLICABLE ACCOUNTING STANDARDS, OR TESTS WERE CONDUCTED ANALYSIS OF "STRESS " OR SENSITIVITY TAKING INTO ACCOUNT THE RISK INHERENT IN DERIVATIVE CONTRACTS BY THE COMPANY, WHOSE VARIABLE FOR THE SAME WOULD BE SHARP APPRECIATION IN THE PESO DOLLAR, WHICH COULD AFFECT THE MARKET VALUE THEREOF. THESE TESTS WERE CONDUCTED UNDER THREE DIFFERENT SCENARIOS:

- 1) APRECIATION OF 5% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 2ND QUARTER (11.1196)
 - 2) APRECIATION OF 10% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 2ND QUARTER (10.5343)
 - 3) APRECIATION OF 15% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 2ND QUARTER
-

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THE ESTIMATED MARKET VALUES WITH THE DIFFERENT SCENARIOS WERE AS FOLLOWS (FIGURES IN THOUSANDS OF PESOS):

COUNTERPARTY	TERM	CONTRACTED		ESTIMATED FV		
		FX	ACTUAL FV	5%	10%	15%
CREDIT SUISSE	SEMIANNUAL	11.05	(7,612)	(20,475)	(35,302)	(51,872)
CREDIT SUISSE	SEMIANNUAL	12.82	(25,553)	(70,727)	(119,661)	(174,353)
CREDIT SUISSE	SEMIANNUAL	12.398	(19,473)	(43,254)	(70,181)	(100,276)
CITIBANK	SEMIANNUAL	12.381	(18,383)	(27,631)	(38,362)	(50,356)
MORGAN STANLEY	SEMIANNUAL	13.09	(17,598)	(22,962)	(29,238)	(36,253)
DEUTSCHE BANK	SEMIANNUAL	13.202	(74,840)	(96,953)	(122,342)	(150,717)
DEUTSCHE BANK	SEMIANNUAL	12.5975	(32,481)	(46,321)	(61,895)	(79,303)
BOFA ML	SEMIANNUAL	13.1515	(36,417)	(47,042)	(59,657)	(73,756)
BOFA ML	SEMIANNUAL	12.599	(12,512)	(16,331)	(22,312)	(28,996)
EMBEDED DERIVATIVES			181	226	270	314
TOTALES			(244,687)	(391,470)	(558,680)	(745,567)

SUMMARY BY COUNTERPARTY:

COUNTERPARTY	MARKET VALUE	5% APRECIACIÓN TC	
		CREDIT LINE	MARGING CALL
CREDIT SUISSE	(134,457)	166,793	-
CITIBANK	(27,631)	77,837	-
MORGAN STANLEY	(22,962)	-	22,962
DEUTSCHE BANK	(143,273)	33,359	109,915
BOFA ML	(63,373)	77,837	-
TOTALES	(391,696)	355,826	132,877

COUNTERPARTY	MARKET VALUE	10% APRECIACIÓN TC	
		CREDIT LINE	MARGING CALL
CREDIT SUISSE	(225,144)	158,015	-
CITIBANK	(38,362)	73,740	-
MORGAN STANLEY	(29,238)	-	29,238
DEUTSCHE BANK	(184,237)	31,603	152,634
BOFA ML	(81,969)	73,740	-
TOTALES	(558,950)	337,098	181,872

COUNTERPARTY	MARKET VALUE	15% APRECIACIÓN TC	
		CREDIT LINE	MARGING CALL
CREDIT SUISSE	(326,501)	149,236	177,265
CITIBANK	(50,356)	69,644	-
MORGAN STANLEY	(36,253)	-	36,253
DEUTSCHE BANK	(230,020)	29,847	200,172
BOFA ML	(102,752)	69,644	33,108
TOTALES	(745,882)	318,371	446,799

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RESULTS PER SCENARIO:

1) IN AN APPRECIATION IN THE EXCHANGE RATE OF 5% OR 11.1196 PESOS PER USD, THE MARGIN CALL WOULD BE 132.8 MILLION PESOS, OR 11.9 MILLION USD.

2) IN AN APPRECIATION IN THE EXCHANGE RATE OF 10% OR 10.5300 PESOS PER USD, THE MARGIN CALLS WOULD BE 181.8 MILLION PESOS OR 17.2 MILLION USD.

3) AND FINALLY TO AN APPRECIATION IN THE EXCHANGE RATE OF 15% TO 9.9500 PESOS PER USD, THE MARGIN CALLS WOULD BE 446.7 MILLION PESOS OR 44.9 MILLION USD.

THIS CONCLUDES THAT WHILE A STRONG APPRECIATION IN THE EXCHANGE RATE WOULD NOT AFFECT LIQUIDITY FOR THE COMPANY, WE WITHOUT THREATENING THE VIABILITY OF AXTEL, ON THE OTHER HAND, BOTH INVESTMENT IN CAPEX AND PRINCIPAL OF DEBT DENOMINATED IN U.S. DOLLARS WOULD OFFSET THESE MOVEMENTS IN THE EXCHANGE RATE.

BELOW ARE THE DETAILS OF THE DERIVATIVE INSTRUMENTS FROM THE COMPANY AS WELL AS THE MARK TO MARKET AND THE FINANCIAL STATEMENTS CORRESPONDING TO JUNE 30, 2011:

COUNTERPARTY	PRINCIPAL THOUSANDS OF MXP	AXTEL PAYS OF USD	PERIOD	PRINCIPAL THOUSAND	AXTEL RECEIVES
CREDIT SUISSE	3,038,750	8.43	SEMIANNUAL	275,000	7.6250
CREDIT SUISSE	2,884,605	9.059	SEMIANNUAL	225,000	9.00
CREDIT SUISSE	2,479,600	8.16	SEMIANNUAL	200,000	7.6250
CITIBANK-BANAMEX	928,575	8.57	SEMIANNUAL	75,000	7.6250
MORGAN STANLEY	327,250	10.0800	SEMIANNUAL	25,000	9.00
DEUTSCHE BANK	1,320,200	10.107375	SEMIANNUAL	100,000	9.00
DEUTSCHE BANK	818,838	9.9969	SEMIANNUAL	65,000	9.00
BOFA ML	657,575	10.0825	SEMIANNUAL	50,000	9.00
BOFA ML	304,975	9.98	SEMIANNUAL	25,000	9.00

COUNTERPARTY	PERIOD	EXCHANGE RATE	STARTING DATE	ENDING DATE	MARK TO MARKET THOUSANDS OF MXP
CREDIT SUISSE	SEMESTRAL	11.05	13-DIC-10	01-FEB-12	(7,612)
CREDIT SUISSE	SEMESTRAL	12.8200	13-DIC-10	22-SEP-14	(25,553)
CREDIT SUISSE	SEMESTRAL	12.398	13-DIC-10	01-AGO-14	(19,473)
CITIBANK	SEMESTRAL	12.381	20-OCT-10	01-AUG-14	(18,383)
MORGAN STANLEY	SEMESTRAL	13.0900	14-OCT-09	22-SEP-14	(17,598)
DEUTSCHE BANK	SEMESTRAL	13.2020	11-NOV-09	22-SEP-14	(74,840)
DEUTSCHE BANK	SEMESTRAL	12.5975	30-MAR-10	22-SEP-14	(32,481)
BOFA ML	SEMESTRAL	13.1515	17-NOV-09	22-SEP-14	(36,417)
BOFA ML	SEMESTRAL	12.5990	11-MAR-10	22-SEP-14	(12,512)
EMBEDED DERIVATIVES					181
				TOTAL	(244,687)

PRESENTATION OF THE FINANCIAL STATEMENTS:

ASSET ACCOUNT "DERIVATIVE INSTRUMENTS" (MARK TO MARKET): \$181 (SEE LINE S81 OF THE

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BALANCE SHEET).

LIABILITIE ACCOUNT "DERIVATIVE INSTRUMENTS" (MARK TO MARKET): \$244,868 (SEE LINE S88 OF THE BALANCE SHEET).

EQUITY ACCOUNT "ACCUMULATED EFFECT BY VALUATION OF DERIVATIVE INSTRUMENTS": \$282,798 (SEE LINE S97 OF THE BALANCE SHEET).

DEBIT TO THE COMPREHENSIVE FINANCIAL RESULT FOR "VARIATION OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS": \$15 (INCLUDED IN THE LINE R46 "OTHER FINANCIAL PRODUCTS" OF THE INCOME STATEMENTS).